



A Strategic Management Paper on Security Bank

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EXECUTIVE SUMMARY

Security Bank is one of the major universal banks in the Philippines. It is medium in size, being about top 10 in most market share categories. It has high profitability and operational efficiency mainly due to its corporate and investment banking units. It re-branded with the “Better Banking” initiative in order to push up its retail banking business. A strategic partnership with Japanese bank MUFG in early 2016 added resources that would fast track the aforementioned initiative. The continuation of the “Better Banking” program was compared with the alternative strategy of partnership with a major ASEAN bank. The former plan makes the best use of the strengths and opportunities present and offsets the company’s major weaknesses. However, the latter strategy is best suited in remedying the major threats of global market uncertainties and entry of foreign banks. It was then recommended that both strategies should be implemented in order to not only sustain but also speed up the company’s growth.

COMPANY BACKGROUND

Introduction and History

Security Bank is one of the major commercial and universal banks in the Philippines. It provides a wide-array of banking products and services. Its three main unit of business would be corporate banking, financial markets and investment banking, and retail banking. Its target market would be the middle and upper-middle class or the mass and the mass affluent. This would be social class B and C. One can say that the bank provides premium services at a relatively lower price. It also claims a solid niche with the Chinese-Filipino market.

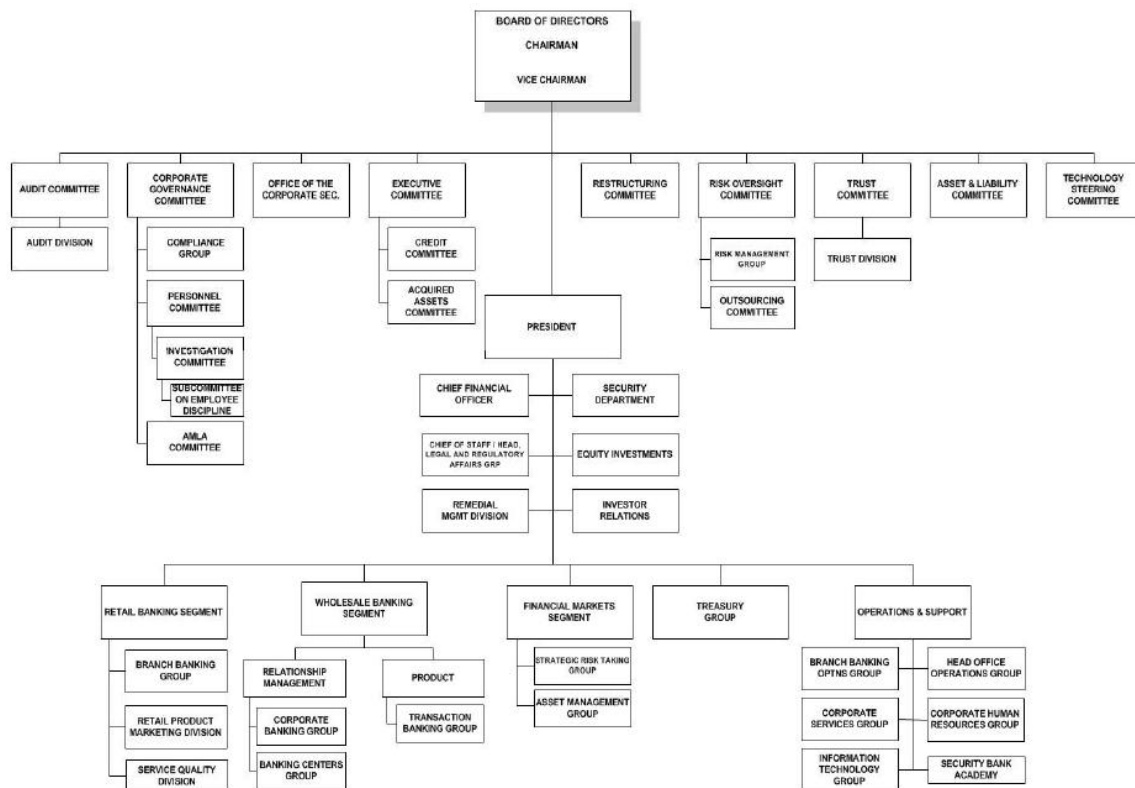
The company was established on June 18, 1951 as the first private and Filipino-controlled bank after World War II. Its initial decade saw aggressive expansion in Metro Manila. The next decade saw the company extend its reaches to the provinces. The first provincial branch was established during the 60's in Angeles, Pampanga. Branches in Visayas and Mindanao were also opened during the succeeding years. The 70's saw the company providing innovative products by offering the first credit card franchise in the Philippines with Diner's Club.

In 1991, the group of Frederick Y. Dy assumed control of the bank. The company was granted a Universal Bank license in 1994. The following year, in 1995, it was publicly listed in the Philippine Stock Exchange with an initial public offering of P1.5 billion.

Even though it has good financial performance, the bank has relatively weak retail banking unit, which created the "BetterBanking begins here" ("Better Banking") re-

branding campaign in 2014. It moved for a retail banking push and emphasizes exceptional customer service. It also meant branch expansion to increase visibility. In early 2016, the Mitsubishi UFJ Financial Group (MUFG), also known as Bank of Tokyo-Mitsubishi UFJ (BTMU), bought 20% of the company in the largest investment of a foreign bank in a Philippine one. This move added resources to the company, which would fast track its “Better Banking”, and branch expansion plans.

Organizational Chart



Methodology

Data and information were acquired through various resources such as the Annual Reports, online articles and the news. These were thoroughly assessed in order to give a complete picture of the company's current standing (Internal) and the state of the industry (External). Various strategy-making tools were then used to obtain the most compatible strategy to be used for the company. Strategy implementation and controls were then provided.

VISION AND MISSION

Security Bank's Vision

To be a world-class bank that is the best of the best, a lifetime partner in fulfilling dreams across generations, beyond borders

Analysis of the Vision

| Characteristics | Yes or No | Why? |
|---------------------------|-----------|------------------------------|
| End-Goal | Yes | "To be a word-class bank.." |
| Concise yet inspirational | Yes | Merely 22 words and inspires |
| Aspirational | Yes | Aims high |

It is clear with the bank' Vision statement that it wants to have following characteristics in the future:

1. Quality Service and 2. Family-Oriented

The bank aims to have quality performance and service by being "world-class" and "the best of the best". A possible improvement would be to emphasize the quality in all aspect of its business, given its current retail unit push. This would make a more specific and higher goal. It also aims to be a family-oriented bank in that it wants to cater to multiple generations, forming a solid customer base. The "beyond borders" can be misconstrued as wanting to expand outside the country. However, such vision is not feasible in its current state. A qualifier can be added to clearly define

“beyond borders” as assisting their clients wherever they are, which is more plausible without needing to expand to other countries.

Revised Vision

“To be a world-class bank **in the Philippines** that is **one of the leaders in all branches of the industry**, a lifetime partner in fulfilling dreams across generations, beyond borders”

| Characteristics | Yes or No | Why? |
|---------------------------|-----------|------------------------------|
| End-Goal | Yes | "To be a word-class bank.." |
| Concise yet inspirational | Yes | Merely 30 words and inspires |
| Aspirational | Yes | Aims high |

The Vision was changed to become more Philippine-centric to remove the ambiguity of the description “beyond borders” as mentioned above. Furthermore, the revised Vision would emphasize the need to strengthen the company with respect to all 3 branches of the banking industry namely: retail, corporate and investment banking. It is important to note that the revised Vision aims for the company to become one of the leaders (top 5) and not the industry leader (top 1) as the former is more realistic. It is within the 3-year scope of this study and an achievable jump from the company’s current status as a major player (top 10) as stated in the Mission.

Security Bank's Mission

We are the leading provider of financial services and solutions.

We focus on customers and markets, deliver innovative and responsive products of distinct quality and value, and nurture long-term customer relationships founded on mutual trust and confidence.

We attract, develop, motivate and reward employees who are committed to productivity, quality and teamwork, as we encourage them to work with fellow employees across organizational boundaries to advance the interests of customers and shareholders.

We conduct ourselves as good corporate citizens, and are recognized as an economic and social asset by the communities in which we operate.

We pursue consistent growth in earnings and fair returns for our shareholders, as we commit to building the value of the company for the long term.

Analysis of the Mission

| Characteristics | Yes or No | Why? |
|--|------------------|---|
| Broad in Scope | Yes | It does not provide figures or specific actions. |
| Not Lengthy | Yes | 121 Words |
| Inspiring | Yes | It provides a purpose and theme. |
| Identifies the Utility of the Firm's Product | No | It only mentions the product/service but not the utility. |
| Socially Responsible | Yes | "as an economic and social asset by the communities" |
| Environmentally Responsible | No | Possibly because of vague relation to service provided. |
| Reconciliatory | Yes | All ideas do not contradict with each other. |
| Enduring | Yes | "building the value of the company for the long |

| | | |
|------------------------------------|-----|---|
| | | term." |
| Customers | Yes | "advance the interests of customers and shareholders" |
| Products or Services | Yes | "leading provider of financial services and solutions" |
| Markets | No | No mention of place of operation |
| Technology | No | No mention of innovation. |
| Survival, Growth and Profitability | Yes | "pursue consistent growth in earnings and fair returns " |
| Philosophy | No | The mission does not emphasize the customer-focus and profitability philosophy mentioned on the site. |
| Self-Concept | No | It does not show differentiation from a typical bank. |
| Public Image | Yes | "conduct ourselves as good corporate citizens" |
| Employees | Yes | "attract, develop, motivate and reward employees " |
| Nation-Building | Yes | "as an economic and social asset by the communities" |

Overall, both Vision and Mission are good and well structured compared to other companies. This is because, as mentioned in the site, they are periodically reviewed. Thus, this type of effort implies adherence to good vision-mission creation practices. As for the Mission, one can add the bank's philosophy of focus on profitability and customer service over market share and size. This was mentioned in a separate area of the site but is very applicable to the Mission. Profitability and customer service are the bank's competitive advantage and makes up its self-concept. We can, however, avoid the qualifier "over market share and size" as this might be inconsistent with the company's current expansion plans. One can also remove the phrase "the leading provider" as this does not accurately represent the bank's current status.

Revised Mission

We are **a major** provider of financial services and solutions **in the Philippines, in order to fulfill dreams.**

We focus on customers and markets, deliver innovative and responsive products of distinct quality and value, and nurture long-term customer relationships founded on mutual trust and confidence.

We are driven by profitability and superior customer service first and foremost as this is our competitive advantage.

We continuously innovate through technology to provide better and more efficient services.

We attract, develop, motivate and reward employees who are committed to productivity, quality and teamwork, as we encourage them to work with fellow employees across organizational boundaries to advance the interests of customers and shareholders.

We conduct ourselves as good corporate citizens, and are recognized as an economic and social asset by the communities in which we operate.

We emphasize sustainability and environmental awareness on our business practices.

We pursue consistent growth in earnings and fair returns for our shareholders, as we commit to building the value of the company for the long term.

| Characteristics | Yes or No | Why? |
|--|--------------------------|---|
| Broad in Scope | Yes | It does not provide figures or specific actions. |
| Not Lengthy | Yes | 168 Words |
| Inspiring | Yes | It provides a purpose and theme. |
| Identifies the Utility of the Firm's Product | Yes | "in order to fulfill dreams." |
| Socially Responsible | Yes | "as an economic and social asset by the communities" |
| Environmentally Responsible | Yes | "We emphasize sustainability and environmental awareness on our business practices." |
| Reconciliatory | Yes | All ideas do not contradict with each other. |
| Enduring | Yes | "building the value of the company for the long term." |
| Customers | Yes | "advance the interests of customers and shareholders" |
| Products or Services | Yes | "major provider of financial services and solutions" |
| Markets | Yes | "in the Philippines" |
| Technology | Yes | "We continuously innovate through technology to provide better and more efficient services." |
| Survival, Growth and Profitability | Yes | "pursue consistent growth in earnings and fair returns" |
| Philosophy | Yes | "We are driven by profitability and superior customer service first and foremost as this is our competitive advantage." |
| Self-Concept | Yes | "We are driven by profitability and superior customer service first and foremost, not by market-share and size." |
| Public Image | Yes | "conduct ourselves as good corporate citizens" |
| Employees | Yes | "attract, develop, motivate and reward employees " |
| Nation-Building | Yes | "as an economic and social asset by the communities" |

Communication of Vision and Mission

The revised Vision and Mission statements should be communicated to assure consistency and goal-orientedness of the business operations. These statements can be communicated to employees and managers through orientation, training and continuous emphasis during employee events. Customers will be informed through the bank website, subscription e-mails and notices around the branches. Shareholders will be made aware through continuous emphasis during meetings and the Annual Report. Lastly, the Vision and Mission statements will be communicated to the public by religiously including it in the company's press releases. When announcing new events (e.g. partnerships), products or programs, the alignment of these occasions to the Vision and Mission should be properly relayed.

EXTERNAL ANALYSIS

Porter's Five Forces

THREAT OF NEW ENTRY - MODERATE

The banking industry has high capital and legal requirements before entry due to the nature of its business. These high requirements could also lead to supply-side benefits of scale, as larger, more established banks are more efficient in their operations. Furthermore, customers tend to deviate away from new and small banks due to unfamiliarity and risks of closure. This branding advantage by the incumbent is independent of size. Thus, this could be a self-fulfilling prophecy, as few customers would mean a new business' failure. In short, though this is not the case all the time, customers can provide a form of demand-side benefits of scale in this industry. However, with sufficient resources and proper marketing, the above threats can be easily overcome. Furthermore, rapid globalization, such as the ASEAN Integration, means easier entry for foreign competition. Foreign banks with larger resources and good branding can provide the needed capital and familiarity even though they maybe new in the Philippine market. In fact, as per Banco de Oro president Nestor Tan, the country's largest bank is just 19th in the region. Thus, it is not far from reality that foreign banks from the region can "invade" the market.

THREAT OF SUBSTITUTES - MODERATE

There are few good direct substitutes to basic banking products and services. Loans can be made with usurers; though they do not have the same security and

convenience provided by bank loans and credit cards respectively. A new trend would be Peer-to-Peer Lending but it has not really taken a good foothold in the country. Other financial services have new forms of substitutes such as online stock trading (e.g. COL Financial, ETR Kim Eng) as compared to investing in UITF's with a bank. However, much of these are considered indirect substitutes. Even so, online substitutes to financial services are becoming increasingly popular due to their accessibility and convenience. The biggest substitute threat, if ever, would be due to the country's low financial literacy (68th in the world, as per an Asian Development Bank study in 2015). Filipinos are just unaware of the advantages brought about by banking services, and would choose to just not use them (e.g. keeping money in their pillows as opposed to depositing them with banks). In short, substitutes only work in this case either due to price performance trade-offs (e.g. higher possible returns when choosing own stocks with COL) or just lack of information, which leads to accessibility issues.

RIVALRY AMONG COMPETITORS – MODERATE TO HIGH

Though the Philippine banking industry has numerous players, the sizes of the big 3 (BDO, Metrobank and Bank of the Philippine Islands (BPI)) are significantly greater than the rest. The other banks are continuously and aggressively expanding though. Aggressive marketing and promotion not only from the big but also the medium-sized banks show competitiveness in the industry. Recently, it has been observed that bank ads are becoming more visible and tend to target both young and old markets (e.g. sponsorship of UAAP games). As products and services are almost

similar, individual players are forced to differentiate themselves (e.g. Saturday banking with Banco De Oro (BDO)). A positive thing for the industry, however, is that growth is high and the market has not yet been saturated.

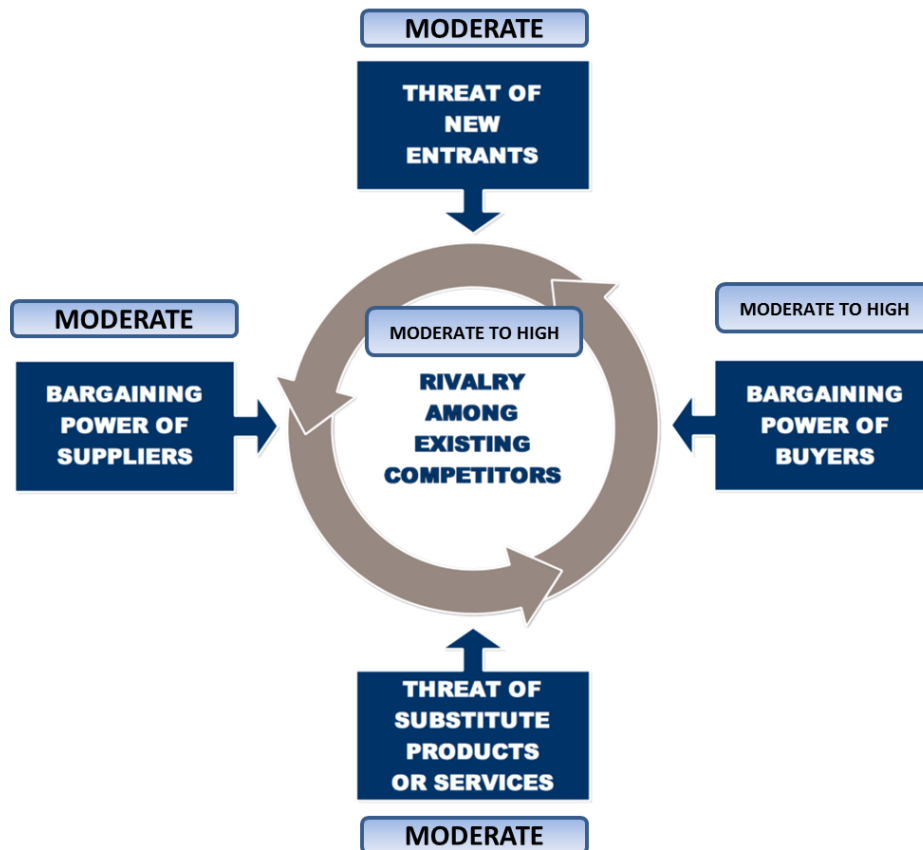
POWER OF SUPPLIERS - MODERATE

Bank depositors tend to have low switching costs in changing their banks. Even though individually there is not much impact, mass withdrawal such as through bank runs can handicap a bank. Furthermore, depositors don't tend to see the interests they earn in their accounts as a major source of revenue so they can just withdraw anytime. The positive thing for the industry here is that the suppliers in this case are not concentrated. They are also not differentiated, as money is fungible. Lastly, there is almost no threat of forward integration with the depositors. The latter reasons might seem academic but they are still applicable and are still good analogies for the quirks of this type of industry.

POWER OF BUYERS – MODERATE TO HIGH

There is almost no threat of backward substitution. The switching costs of buyers are different depending on the type of services bought. Though the banks themselves sometimes make it hard, switching credit cards are easy to do in theory and also in reality if you persevere hard enough. Investment funds, such as UITF's, have a holding period for certain days but can easily be withdrawn after that. Transactions with larger value would have the higher switching costs in this industry. Corporate and retail loans are locked for many years by contract.

Restructuring these loans take up additional expenses and penalties. There are a lot of potential customers in the industry but the fact that there are a lot of players as well increases buyer power. This is most especially true for corporate banking. Even with the high number of buyers, the degree of money involved makes each “account” important. This, again, increases the power of the buyer. Products and services offered by banks are almost similar with few differences in prices and benefits provided.



ANALYSIS

The industry is fairly competitive, with most forces at moderate. Rivalry between competitors and power of buyers are at moderate to high levels. However, Philippine banking is still a very attractive endeavor. As per 2015 data from the Bangko Sentral ng Pilipinas (BSP), there was a 10.7% increase in total profit for the industry. The return on equity for the sector was at 11.07%. Clearly, the market has not yet been saturated and there are a lot of opportunities to be captured. The interests given by foreign banks show this. It is now up to the players to differentiate themselves in this highly competitive setting in order to take advantage of the health and growth of the industry.

External Factor Evaluation (EFE)

| EXTERNAL FACTORS | WEIGHT | RATING | SCORE |
|---|----------|--------|-------------|
| OPPORTUNITIES | | | |
| Property boom in the Philippines leads to higher demand for loans | 0.15 | 4 | 0.6 |
| Around 6% growth of the Philippine economy | 0.12 | 4 | 0.48 |
| Philippine Investment Grade (BBB) improves the country's economic outlook | 0.08 | 4 | 0.32 |
| Very low 1.4% inflation rate in the Philippines | 0.07 | 2 | 0.14 |
| 2016 Philippine Election might lead to increase in economic activity | 0.05 | 2 | 0.1 |
| THREATS | | | |
| ASEAN integration eases entry of foreign banks | 0.15 | 2 | 0.3 |
| Uncertainties regarding China's economy | 0.12 | 2 | 0.24 |
| Economic instability caused by the drop of oil prices to the \$30 range | 0.10 | 2 | 0.2 |
| Lifting of BSP's ban on new local banks | 0.08 | 3 | 0.24 |
| Economic issues and negative interest rate in Japan | 0.05 | 2 | 0.1 |
| Culture of weak financial literacy (68th in the world) of Filipinos | 0.03 | 3 | 0.09 |
| TOTAL | 1 | | 2.81 |

01. Property boom in the Philippines leads to higher demand for loans

The property boom in the Philippines, specifically in Metro Manila, has been going on now for the past few years and is not expected to slow down. Though there have been fears of a bubble, current trend shows the unlikelihood of this scenario. Property developer Jones Lang Lasalle estimated that 1 million square meters of new Grade A space are expected to be built in 2016. The office space demand of the outsourcing industry and residential space demand by overseas workers and employees of the aforementioned outsourcing industry mostly shouldered this boom. This economic factor is the biggest opportunity of the bank. Directly, this would lead to increase in demand for loans, which the bank is perfectly positioned to take advantage of. The “Better Banking” initiative and retail banking expansion would capitalize on this opportunity, giving the bank a score of 4. Furthermore, the property boom would lead to more commercial centers, which would mean more potential areas for branch expansion.

02. Around 6% growth of the Philippine economy

The Philippine economy experienced around 6% growth in 2015. Though economic in nature, this opportunity can also indirectly be a social/cultural factor as it would mean a better-off and higher spending culture. This shows the good economic health of the country, which would lead to more investors and economic activities. Similar to the property boom above, the company gets a 4 as it is in line to perfectly take advantage of these positive events due to its programs and expansion plans. More economic activity would trickle down to individuals and an increase in demand in the retail market. This makes it the second-best opportunity for the bank.

03. Philippine Investment Grade (BBB) improves the country's economic outlook

Rating agencies has given the country an investment grade due to its consistent economic growth and good long-term outlook. This relates to the previous opportunity in that a healthy Philippine economy would mean a high demand for banking services, which is in line with the bank's retail push. Furthermore, as the bank is heavily invested in government securities, a higher grade for Philippine sovereign bonds would mean higher returns and value from and of its assets.

04. Very low 1.4% inflation rate in the Philippines

The country experienced a very low 1.4% inflation rate in 2015, as opposed to the standard 4% range the years before. This is mainly caused by low oil prices and the peculiar weather patterns last year that caused fewer typhoons and, thus, more

agricultural production. Low prices would mean more consumption and spending. However, the impact of this opportunity is mostly indirect as it relates more to the lower mass market as opposed to the bank's target "premium" market. This is why a lower weight was given. Furthermore, as the actions and programs of the bank do not directly take advantage of this opportunity, a lower rating was also scored.

05. 2016 Philippine Election might lead to increase in economic activity

The coming election season in 2016 is also expected to have the same impact of increased economic activities. Though the results of the election have an impact on direction of future policies, the race is still too close to call to ascertain its effects. This is why only its impact in increased economic activities will be utilized. The company scores only a 2 for this opportunity. Similar to the previous factor, the impact of this is mostly indirect. This is why both a lower weight and a lower rating were assigned.

Opportunities Assessment

Overall, the opportunities given were all economic in nature. The good health of the country's economy is consistent with the expansion and retail push initiatives of the bank. This is because more economic activities would lead to a higher demand for banking services. The MUFG partnership is also in synergy with this as this will fast track the Better Banking push and creates better branding for the bank.

T1. ASEAN integration eases entry of foreign banks

The ASEAN integration is one of the bigger threats in the industry as it will allow foreign competition to come in the country. As per BSP governor Amando Tetangco, local banks are ready for this but have concerns regarding size. BDO is the largest bank in the country but is only 19th in the region. Though the 20% partnership with MUFG increased Security Bank's size significantly, it is still not sufficient enough to rival other banks in the region. This is why the company scored a 2.

T2. Uncertainties regarding China's economy

Uncertainties in China's economy have affected the world. Even though China still saw a 6% growth, there is panic in the market, which caused volatility in the stock market (e.g. 11% single day drop) and almost \$1 trillion in capital outflow. These issues have a wide-ranging impact throughout the world due to China's size and several trading partnerships. This is also not good for developing countries such as the Philippines. Security Bank scored a 2 as it is at a good risk from these events, not only from an investment-banking viewpoint, but also from possible slowdown in retail and corporate banking.

T3. Economic instability caused by the drop of oil prices to the \$30 range

Oil has dropped from \$115/barrel in 2014 to currently in the \$30 range. This sharp decline is caused by a variety of factors, namely an oversupply of oil especially from the US, weak demand due to economic issues in China and Saudi Arabia's refusal to play its de facto role of stabilizer due to fears of losing market share. Normally,

Saudi would increase or decrease its supply in order to control oil prices but has now refused to continue this role. The lowered income of oil-producing nations, especially in the Middle East, has sparked fears of job losses of overseas Filipino workers. This would have a domino effect of lower remittances and lower GDP growth. Many of the aforementioned opportunities, such as the property boom, are dependent on OFW remittances. Security Bank also scores a 2 for this threat, as the possible fallout economically will impact the company's revenues.

T4. Lifting of BSP's ban on new local banks

The BSP has lifted the ban on application for new banks, which was in place way back in 1999. This is to strengthen the local bank industry with the possibility of foreign banks "invading" the market due to the ASEAN integration. Security Bank scores a 3 as the 20% expansion due to MUFG proved very beneficial. As mentioned before, the 20% may not be significant enough to face foreign competitors. However, this value is sufficient enough to protect itself from threats of new local players.

T5. Economic issues and negative interest rate in Japan

Japan had been experiencing very slow growth with a mere 0.4% growth in 2015. Their central bank had already imposed negative interest rates. However, this had the opposite effect of increasing the value of the Japanese Yen. This does not bode well for the Japanese economy, as a higher currency would mean more expensive exports and lower demand for Japanese products and tourism. The bank scores a 2

for this threat. Though these economic issues do not have a direct impact with the company, the problem here is more of the fact that it would lessen potential opportunities and benefits it might have with the MUFG partnership. New Japan-related products, services and features provided by the bank might have lower demand due to Japan's economic slowdown.

T6. Culture of weak financial literacy (68th in the world) of Filipinos

The Philippines has one of the lowest financial literacy ratings in the world at 68th. This might be good as it indirectly led to the culture of consumption, which helped keep our economy afloat. However, there is still an issue of possible market loss due to lack of information on financial services. The bank scores a 3 here due to its financial literacy campaigns.

Threats Assessment

The biggest threat faced by the company is the possible competition brought about by foreign banks. The MUFG partnership increases significantly the bank's size which can fend off threat from new local players. However, the increase is not significant enough to rival foreign players. Furthermore, any opportunities brought about by the good economic health of the country can be undone by uncertainties regarding China's and oil-producing countries' economies. Lastly, the MUFG partnership provides a wide range of possibilities. However, these possibilities can be limited due to issues with Japan's economy.

Industry and Competitor Profile

Numerous local and foreign players characterize the banking industry of the Philippines. However, the three biggest banks stand out in all categories of market share. They are namely BDO, Metrobank and BPI. They are the top 3 banks in the country, whether in terms of Assets, Loans or Deposits. Below table shows data from BDO taken in 2014. It shows the big 4's market share in terms of the aforementioned 3 categories.

| | BDO | METROBANK | BPI |
|------------------------------|------------|------------------|------------|
| ASSETS | 17% | 14% | 12% |
| LOANS AND RECEIVABLES | 20% | 15% | 14% |
| DEPOSITS | 18% | 14% | 13% |

The positioning is still accurate by the end of 2015 based on Fehi Dungo's article on the Philippine's best banks, albeit using more updated numbers. In the updated version, BPI has overtaken Metrobank as the 2nd place in terms of Deposits and Loans.

Security Bank ranks in the bottom half of the top 10 of most of these categories. This is why it is best to compare it with its peers. The two competitors to be used will be Rizal Commercial Banking Corporation (RCBC) and China Banking Corporation (Chinabank). These 3 players have close numbers in terms of size and market share. They are all privately owned domestic universal banks with significant presence and relatively long history. Chinabank was established in 1920 while RCBC in 1960. They are also all publicly-traded in the Philippine Stock Exchange. Furthermore, they all target social classes B and C, both the affluent and the mass affluent. They all

also claim a niche in the Chinese-Filipino market. Below table shows their position relative to the banking industry.

| | SECURITY | CHINABANK | RCBC |
|------------------------------|-----------------|------------------|-------------|
| ASSETS | | | |
| 2014 Market Share | 4% | 4% | 4% |
| 2014 Rank | 10th | 8th | 7th |
| 2015 Rank | 10th | 8th | 5th |
| LOANS AND RECEIVABLES | | | |
| 2014 Market Share | 3% | 5% | 5% |
| 2014 Rank | 8th | 7th | 6th |
| 2015 Rank | 8th | 5th | 6th |
| DEPOSITS | | | |
| 2014 Market Share | X | 5% | 4% |
| 2014 Rank | X | 6th | 8th |
| 2015 Rank | X | 5th | 6th |

Note that Security Bank is outside of the top 10 for deposits. This is one of the reasons for the “Better Banking” initiative. However, even with the smaller market share, Security Bank is the most profitable of the three. Not only does it have the highest ROE and ROA, but also the highest net income. Data from 2014 has Security Bank with P7.3B in profit. Chinabank came in at 2nd with P5.11B and RCBC at 3rd with P4.4B. By 2015, however, Security Bank was still the highest at P7.7B but RCBC jumped to P5.1B. No data yet has been obtained from Chinabank.

Competitive Profile Matrix (CPM)

| CRITICAL SUCCESS FACTORS | WEIGHT | SECURITY | | RCBC | | CHINABANK | |
|----------------------------|----------|----------|-------------|--------|-------------|-----------|-------------|
| | | RATING | SCORE | RATING | SCORE | RATING | SCORE |
| Financial Position | 0.22 | 2 | 0.44 | 4 | 0.88 | 4 | 0.88 |
| Location and Accessibility | 0.20 | 2 | 0.4 | 4 | 0.8 | 3 | 0.6 |
| Customer Service | 0.18 | 3 | 0.54 | 2 | 0.36 | 2 | 0.36 |
| Network | 0.15 | 3 | 0.45 | 2 | 0.3 | 2 | 0.3 |
| Operational Efficiency | 0.12 | 4 | 0.48 | 3 | 0.36 | 3 | 0.36 |
| Product Pricing | 0.08 | 4 | 0.32 | 2 | 0.16 | 3 | 0.24 |
| Innovation and Technology | 0.05 | 4 | 0.2 | 4 | 0.2 | 3 | 0.15 |
| TOTAL | 1 | | 2.83 | | 3.06 | | 2.89 |

1. Financial Position

Financial position is the most critical factor as the size of a bank is important in determining long-term viability, flexibility and risk management. Banks are heavily dependent on their assets, which is why this factor has the highest weight. RCBC has the highest rank between the three at 7th in the industry, getting the 4 score. This rank has actually improved in 2015 to become 5th. Chinabank is a close 8th in 2014, thus getting the similar 4 score. Security Bank is ranked a low 10th, getting a 2 score. It is expected, however, that Security Bank's rank will improve by the end of 2016 due to the MUFG partnership.

2. Location and Accessibility

The next key success factor would be location and accessibility. This is because it is of importance that potential customers can conveniently access your products and services. All three competitors have mobile applications and web sites. They also have visibility throughout the country. The scoring above was then based on the number of branches. More branches would mean more convenience to the customers as it leads to a higher chance that the next branch is nearby. RCBC scored

a 4 as it has the most branches between the players with 448. Chinabank and Security Bank scored 3 and 2, with 342 and 257 branches respectively.

3. Customer Service

Customer Service is vital, as this impacts not only the retention of customers but also recruitment of new customers due to word of mouth. For this factor, results of an online poll of more than 8,000 respondents by Fehf Dungo of Philpad were used in determining the bank with the best customer service. A summary of the results is shown below.

| | |
|----------------------|--------|
| BPI | 28.14% |
| METROBANK | 17.57% |
| BDO | 17.44% |
| SECURITY BANK | 5.64% |
| RCBC | 4.56% |
| CHINABANK | 3.93% |

The 3 biggest banks got the highest ratings. Security Bank is a far fourth but is the highest among the discussed players. This is why it gets the 3 score. RCBC and Chinabank came in at 5th and 6th and both got 2 scores as they are not far apart, with less than 1% difference. Admittedly, the survey is not comprehensive due to its online nature. However, it is still a good representative as the competitors' target market has online access.

4. Network

Network is important, as forming strategic partnerships opens up many opportunities and safeguards against threats such as globalization. Security Bank scored the highest with 3 mostly due to its alliance with MUFG. It also has

partnerships with FWD Life regarding insurance products. Both RCBC and Chinabank have their own alliances. The former has multiple partnerships with many Japanese investors such as the Resona Group. Chinabank had also partnered with Manulife and Savemore. However, these do not rival the networking benefits gained by Security Bank, giving them scores of 2 each.

5. Operational Efficiency

Operational efficiency will be measured by the competitors' Return on Equities and Return on Assets. This is to measure if the business operations are optimal and efficient. Security Bank gets the highest score again with 4 due to its industry high ROA of 1.91% and ROE of 16.32%. Both RCBC and Chinabank get similar 3 scores with their relatively close ROA of 1.04% and 1.12% respectively and ROE of 9.23% and 9.90% respectively.

6. Product Pricing

Due to the nature of the industry, products and services provided by the competitors are almost similar. Pricing can be somewhat similar too and this factor will be measured based on differences from certain offered banking products. Security Bank gets the highest score at 4 primarily due to value for money. It provides certain features such as no-cost withdrawals from ATM's of other banks. Another reason would be that it has the highest interest rate earned for its basic savings account at 0.2% and the lowest monthly payment for a 10 year, P1 million home loan at P10,729. Chinabank gets a 3 score as it has a similar rate of 0.2%. However, a loan with the same terms has a monthly payment of P12,667.58. Finally,

RCBC gets the lowest score with 2, as it has the lowest earned interest rate with 0.15% and highest monthly payment at P13,939.76.

7. Innovation and Technology

As mentioned before, all three players are updated in terms of technology and innovation. They all provide online and mobile services. Furthermore, security checks are in place for their transactions with SMS alerts and the usage of one-time PIN's. The key differentiator would be their execution of these innovations. The mobile partner of Chinabank only has a user rating of 3.4, based on the Google App Store. This is why a 3 score was given as compared to the 4 score of the other two competitors that had a much better grade for their mobile applications with 4.0 user rating.

In summary, RCBC and Chinabank ranked first and second with 3.06 and 2.89 respectively due to their strengths in the top two factors. Even though Security Bank led in most factors, it was only 3rd with 2.83 as it had room for improvement in the more important and heavily weighted factors such as Location and Financial Position. These are expected to improve in 2016, however, with the MUFG partnership and branch expansion plans.

INTERNAL ANALYSIS

Financial Analysis – Vertical and Horizontal Analysis of Financial Statements

INCOME STATEMENT

INCOME STATEMENT (Amounts in Thousands)

| | CONSOLIDATED | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Q3 2015 | Q3 2014 | 31-Dec-14 | 31-Dec-13 | 31-Dec-12 |
| INTEREST INCOME ON | | | | | |
| Loans and receivables (Notes 12 and 31) | 8,026,384.00 | 6,792,562.00 | 9,308,912.00 | 7,902,346.00 | 6,964,819.00 |
| Financial investments (Note 7) | 5,295,123.00 | 4,486,235.00 | 5,845,888.00 | 3,640,554.00 | 4,249,285.00 |
| Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas (Note 31) | 7,659.00 | 116,970.00 | 126,954.00 | 444,935.00 | 262,853.00 |
| Deposits with banks and others | 41,296.00 | 71,950.00 | 112,241.00 | 343,499.00 | 96,167.00 |
| | 13,370,462.00 | 11,467,717.00 | 15,393,995.00 | 12,331,334.00 | 11,573,124.00 |
| INTEREST EXPENSE ON | | | | | |
| Deposit liabilities (Notes 17 and 31) | 2,342,144.00 | 1,799,554.00 | 2,540,115.00 | 2,196,046.00 | 1,910,335.00 |
| Derivative instruments (Note 18) | 682,274.00 | 560,738.00 | 789,275.00 | 997,826.00 | 725,526.00 |
| Subordinated note, bills payable and securities sold under repurchase agreements and other borrowings (Notes 20 and 21) | 1,277,312.00 | 610,597.00 | 855,872.00 | 656,467.00 | 756,232.00 |
| Derivatives designated as hedges (Note 19) | 20,491.00 | 37,470.00 | 47,863.00 | 96,911.00 | 83,434.00 |
| | 4,322,221.00 | 3,008,359.00 | 4,233,125.00 | 3,947,250.00 | 3,475,527.00 |
| NET INTEREST INCOME | 9,048,241.00 | 8,459,358.00 | 11,160,870.00 | 8,384,084.00 | 8,097,597.00 |
| Gain on disposal of investment securities at amortized cost (Notes 8 and 11) | 2,067,016.00 | 3,067,627.00 | 3,079,540.00 | 2,212,225.00 | 3,273,345.00 |
| Service charges, fees and commissions (Note 29) | 1,621,472.00 | 1,071,039.00 | 1,514,891.00 | 1,379,784.00 | 1,122,990.00 |
| Trading and securities gain - net (Notes 6 and 8) | 825,333.00 | 483,965.00 | 515,907.00 | 32,764.00 | 841,603.00 |
| Profit from assets sold/exchanged (Notes 15 and 16) | 102,223.00 | 119,105.00 | 149,020.00 | 197,292.00 | 146,471.00 |
| Rent (Notes 15, 31 and 32) | 130,643.00 | 102,805.00 | 137,664.00 | 140,875.00 | 92,344.00 |
| Share in net income of a joint venture (Note 13) | 14,750.00 | 17,836.00 | 25,523.00 | 18,389.00 | 4,508.00 |
| Foreign exchange gain (loss) - net (Note 6) | 189,313.00 | (17,535.00) | (173,926.00) | (341,811.00) | 128,169.00 |
| Miscellaneous (Note 30) | 343,452.00 | 243,628.00 | 359,965.00 | 288,841.00 | 319,480.00 |
| TOTAL OPERATING INCOME | 14,342,443.00 | 13,547,828.00 | 16,769,454.00 | 12,312,443.00 | 14,026,507.00 |
| OPERATING EXPENSES | | | | | |
| Compensation and fringe benefits (Notes 28 and 31) | 2,330,071.00 | 1,933,437.00 | 2,619,103.00 | 2,316,364.00 | 1,969,926.00 |
| Taxes and licenses (Note 27) | 1,007,644.00 | 737,926.00 | 1,011,672.00 | 916,529.00 | 852,143.00 |
| Provision for credit losses (Note 12) | 599,071.00 | 784,335.00 | 790,065.00 | 128,118.00 | 247,767.00 |
| Occupancy costs (Notes 15 and 32) | 592,348.00 | 526,852.00 | 726,379.00 | 610,447.00 | 501,427.00 |
| Depreciation and amortization (Note 14) | 444,905.00 | 371,191.00 | 522,625.00 | 428,734.00 | 360,401.00 |
| Amortization of software costs (Note 16) | 38,905.00 | 43,657.00 | 56,647.00 | 39,442.00 | 43,632.00 |
| Provision for (recovery of) impairment losses (Note 15) | 101.00 | (16,589.00) | (35,943.00) | (78,844.00) | 27,667.00 |
| Miscellaneous (Notes 27 and 30) | 2,552,590.00 | 2,101,180.00 | 2,989,724.00 | 2,439,990.00 | 2,244,574.00 |
| TOTAL OPERATING EXPENSES | 7,565,635.00 | 6,481,989.00 | 8,680,272.00 | 6,800,780.00 | 6,247,537.00 |
| INCOME BEFORE INCOME TAX | 6,776,808.00 | | 8,089,182.00 | 5,511,663.00 | 7,778,970.00 |
| PROVISION FOR INCOME TAX (Note 27) | | | 868,940.00 | 420,206.00 | 233,245.00 |
| NET INCOME | | | 7,220,242.00 | 5,091,457.00 | 7,545,725.00 |

**INCOME STATEMENT (Amounts in
Thousands)**

| | HORIZONTAL | | | VERTICAL | | | | |
|--|--------------|--------------|--------------------|-------------|-------------|-------------|-------------|-------------|
| | 2012 vs 2013 | 2013 vs 2014 | Q3 2014 vs Q3 2015 | 2012 | 2013 | 2014 | Q3 2014 | Q3 2015 |
| INTEREST INCOME ON | | | | | | | | |
| Loans and receivables (Notes 12 and 31) | 13% | 18% | 18% | 50% | 64% | 56% | 50% | 56% |
| Financial investments (Note 7) | -14% | 61% | 18% | 30% | 30% | 35% | 33% | 37% |
| Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas (Note 31) | 69% | -71% | -93% | 2% | 4% | 1% | 1% | 0% |
| Deposits with banks and others | 257% | -67% | -43% | 1% | 3% | 1% | 1% | 0% |
| | 7% | 25% | 17% | 83% | 100% | 92% | 85% | 93% |
| INTEREST EXPENSE ON | | | | | | | | |
| Deposit liabilities (Notes 17 and 31) | 15% | 16% | 30% | 14% | 18% | 15% | 13% | 16% |
| Derivative instruments (Note 18) | 38% | -21% | 22% | 5% | 8% | 5% | 4% | 5% |
| Subordinated note, bills payable and securities sold under repurchase agreements and other borrowings (Notes 20 and 21) | -13% | 30% | 109% | 5% | 5% | 5% | 5% | 9% |
| Derivatives designated as hedges (Note 19) | 16% | -51% | -45% | 1% | 1% | 0% | 0% | 0% |
| | 14% | 7% | 44% | 25% | 32% | 25% | 22% | 30% |
| NET INTEREST INCOME | 4% | 33% | 7% | 58% | 68% | 67% | 62% | 63% |
| Gain on disposal of investment securities at amortized cost (Notes 8 and 11) | -32% | 39% | -33% | 23% | 18% | 18% | 23% | 14% |
| Service charges, fees and commissions (Note 29) | 23% | 10% | 51% | 8% | 11% | 9% | 8% | 11% |
| Trading and securities gain - net (Notes 6 and 8) | -96% | 1475% | 71% | 6% | 0% | 3% | 4% | 6% |
| Profit from assets sold/exchanged (Notes 15 and 16) | 35% | -24% | -14% | 1% | 2% | 1% | 1% | 1% |
| Rent (Notes 15, 31 and 32) | 53% | -2% | 27% | 1% | 1% | 1% | 1% | 1% |
| Share in net income of a joint venture (Note 13) | 308% | 39% | -17% | 0% | 0% | 0% | 0% | 0% |
| Foreign exchange gain (loss) - net (Note 6) | -367% | -49% | -1180% | 1% | -3% | -1% | 0% | 1% |
| Miscellaneous (Note 30) | -10% | 25% | 41% | 2% | 2% | 2% | 2% | 2% |
| TOTAL OPERATING INCOME | -12% | 36% | 6% | 100% | 100% | 100% | 100% | 100% |
| OPERATING EXPENSES | | | | | | | | |
| Compensation and fringe benefits (Notes 28 and 31) | 18% | 13% | 21% | 14% | 19% | 16% | 14% | 16% |
| Taxes and licenses (Note 27) | 8% | 10% | 37% | 6% | 7% | 6% | 5% | 7% |
| Provision for credit losses (Note 12) | -48% | 517% | -24% | 2% | 1% | 5% | 6% | 4% |
| Occupancy costs (Notes 15 and 32) | 22% | 19% | 12% | 4% | 5% | 4% | 4% | 4% |
| Depreciation and amortization (Note 14) | 19% | 22% | 20% | 3% | 3% | 3% | 3% | 3% |
| Amortization of software costs (Note 16) | -10% | 44% | -11% | 0% | 0% | 0% | 0% | 0% |
| Provision for (recovery of) impairment losses (Note 15) | -385% | -54% | -101% | 0% | -1% | 0% | 0% | 0% |
| Miscellaneous (Notes 27 and 30) | 9% | 23% | 21% | 16% | 20% | 18% | 16% | 18% |
| TOTAL OPERATING EXPENSES | 9% | 28% | 17% | 45% | 55% | 52% | 48% | 53% |
| INCOME BEFORE INCOME TAX | -29% | 47% | #DIV/0! | 55% | 45% | 48% | 0% | 47% |
| PROVISION FOR INCOME TAX (Note 27) | 80% | 107% | #DIV/0! | 2% | 3% | 5% | 0% | 0% |
| NET INCOME | -33% | 42% | #DIV/0! | 54% | 41% | 43% | 0% | 0% |

Vertical Analysis

Net interest income comprises the majority of the company's operating income at more than 60% (67% in 2014 and 63% as of 3rd Quarter 2015). Gross interest income would have already covered more than 90% of the total operating income. However, interest expenses would eat up around a little less than a third of this amount, or 25-30% of total operating income (depending on the year). These expenses act as "cost of goods sold" for the financial statements. They mainly compose of liabilities from deposits, losses from derivatives and bills owed to other institutions. Other, non-interest, income sources more than makes up for this by providing around a third of the total operating income.

The two main components of gross interest income would be "Loans and Receivables" from its retail and corporate lending and "Financial Investments" from its investment banking, with the former comprising more than 60% (56% of the 92%) of the gross. As per Note 12 of the audit financial statements for 2014 (see Appendix), corporate banking is the overwhelmingly major revenue source from its "Loans and Receivables" account. About P172B of the P194B total loans receivable are from corporate lending or about 89%. The rest mostly falls under retail banking products such as consumer lending, small business lending and residential mortgage lending. Majority of non-interest revenues come from the company's investment banking side such as gains from trading securities. As per Note 9 of the aforementioned financial statements, around P9B of the more than P10B of the company's financial assets are in treasuries and government securities. The other key non-interest revenue source would be the additional charges and fees such as

those from stock brokerages, loans and credit cards. This comprises around 8-11% of the operating income.

The numbers affirm the notion that the company has a strong corporate and investment banking showing but with a weak retail banking unit. This leads to the aforementioned “Better Banking” initiative, which aimed to improve the bank’s third pillar.

Employee compensations and “miscellaneous” expenses form bulk of the operating expenses, eating up 16% and 18% of the operating income respectively. As per Note 30 of the financial statements, P413M (14%) goes to another “miscellaneous” account within these almost P3B miscellaneous expenses. These include travel and fuel expenses. Major specified expenses are allocated as such: P475M (16%) goes to entertainment, amusement and recreation; P446M (15%) goes to insurance; P397M (13%) goes to security, clerical, messengerial and janitorial services; P383M (13%) goes to professional and management fees; and P360M (12%) goes to advertising and publicity. Other expenses include penalties, litigation fees, donations, telephonic expenses, and office supplies.

Overall, a little more than half of the operating income goes to these operating expenses. This leaves around 48% before tax and 43% after tax in net income for the company.

Horizontal Analysis

The bank has seen healthy growth in its revenues from “Loans and Receivables”. Growth was at 13% in 2013 and increased further to 18% by 2014. It remained at 18% as per quarter-on-quarter data from the 3rd quarter of 2015. Interests from financial investments skyrocketed in 2014 to 61%. However, this growth rate is not expected to continue as 2015 3rd quarter data shows it only grew to around 18%. This is a good representation of the state of the financial markets during those years (2014 and 2015). Nevertheless, an 18% revenue growth during the financial turmoil of 2015 is still an impressive showing.

For interest expenses, the bank saw steady increase in deposit liabilities. However, this number almost doubled as of the 3rd quarter of 2015. This can be seen as a good sign as that would mean more deposits and, thus, cash source for the company. It is just a matter of taking advantage of this cash source. Expenses from derivatives and securities had also seen stable increase from 2012 to 2014. Unfortunately, these expenses also skyrocketed as of the 3rd quarter of 2015. This caused the interest expenses to jump from a lower increase rate of 7% in 2014 to 44% as of Q3 2015. This had the unfortunate effect of slowing down the growth of net interest income, from 4% (2013) to 33% (2014) and now at 7% (Q3 2015).

Similar to the above numbers, the investment banking side of non-interest income also showed the same movements. Gains on disposal of securities and trading gains had significantly increased in 2014 (39% and 1475% respectively). However, this went way down as of Q3 2015 (-33% and 71% respectively). A bright spot in Q3

2015 would be revenues from charges and fees as it went from a mere 10% increase in 2014 to 51% increase as of Q3 2015.

Net operating income shows the same pattern as net interest income from a good 36% increase in 2014 to a mere 6% growth as of Q3 2015. Operating expenses continued to increase, from 9% in 2013 to 28% in 2014. This is most likely due to an expansion in business operations. As of Q3 2015, the bank saw a lower increase of 17% in operating expenses, mostly due to the decrease in credit losses (-24%) and lower rise in miscellaneous expenses (from 23% to 21%). This offsets the higher increases in employee compensations and taxes and licenses.

In summary, as investment banking is one of the major units that drive the company's income, the conditions of the financial markets have a clear impact on the income statement numbers through the given years. The bank saw a 42% increase in net income in 2014 from the 33% decrease experienced in 2013. This is mainly due to high increases in revenues from financial investments and gains in securities and trading. Though no final amount has been given yet, it is expected that the bank will only have a single digit growth in net income in 2015 due to the relatively poorer performance of the aforementioned investment activities. It is important to note also that the company's "Better Banking" initiative can be attributed for some of the notable changes seen in the Q3 2015 statement such as the increase in deposit liability and the increase in revenues from fees and charges. This is advantageous to the company, as it would mean diversifying its major revenue sources by strengthening its retail banking. With the variable performance

of investment banking and the poor global market conditions, retail banking can provide a strong and stable revenue source.

BALANCE SHEET

BALANCE SHEET (Amounts in Thousands)

| | Q3 2015 | 31-Dec-14 | CONSOLIDATED 31-Dec-13 | 31-Dec-12 |
|--|-----------------------|-----------------------|---------------------------|-----------------------|
| ASSETS | | | | |
| Cash and Other Cash Items | 4,477,004.00 | 5,619,751.00 | 4,428,863.00 | 3,372,558.00 |
| Due from Bangko Sentral ng Pilipinas (Note 17) | 34,688,390.00 | 35,843,596.00 | 45,583,991.00 | 21,779,290.00 |
| Due from Other Banks (Notes 25 and 31) | 31,466,204.00 | 39,129,595.00 | 28,739,381.00 | 25,406,752.00 |
| Interbank Loans Receivable and Securities Purchased Under Resale Agreements with the Bangko Sentral ng Pilipinas (Note 31) | - | - | 12,120,000.00 | 17,250,000.00 |
| Financial Assets at Fair Value through Profit or Loss (Notes 6 and 9) | 6,191,109.00 | 10,921,822.00 | 3,628,310.00 | 23,199,557.00 |
| Financial Assets at Fair Value through Other Comprehensive Income (Note 10) | 155,893.00 | 150,780.00 | 144,132.00 | 185,023.00 |
| Investment Securities at Amortized Cost (Notes 11, 20 and 26) | 176,473,996.00 | 101,484,843.00 | 78,514,441.00 | 39,887,127.00 |
| Loans and Receivables (Notes 12 and 31) | 216,914,977.00 | 194,004,086.00 | 165,241,561.00 | 119,748,676.00 |
| Investments in Subsidiaries and a Joint Venture (Note 13) | 212,102.00 | 197,352.00 | 171,829.00 | 153,440.00 |
| Property and Equipment (Note 14) | 2,590,216.00 | 2,423,158.00 | 1,974,281.00 | 1,544,696.00 |
| Investment Properties (Note 15) | 1,797,686.00 | 1,780,886.00 | 1,836,090.00 | 1,788,223.00 |
| Deferred Tax Assets (Note 27) | 977,740.00 | 1,000,169.00 | 743,542.00 | 565,225.00 |
| Goodwill (Note 4) | 841,602.00 | 841,602.00 | 841,602.00 | 841,602.00 |
| Intangible Assets (Note 16) | 1,538,078.00 | 1,499,910.00 | 1,264,531.00 | 794,753.00 |
| Other Assets (Note 16) | 3,854,391.00 | 2,300,784.00 | 2,309,401.00 | 2,746,047.00 |
| TOTAL ASSETS | 482,179,388.00 | 397,198,334.00 | 347,541,955.00 | 259,262,969.00 |
| LIABILITIES AND EQUITY | | | | |
| LIABILITIES | | | | |
| Deposit Liabilities (Notes 17 and 31) | | | | |
| Demand | 72,165,857 | 63,120,095 | 51,938,623 | 39,580,042 |
| Savings | 127,920,998 | 116,285,207 | 110,021,620 | 60,132,339 |
| Time | 65,023,142 | 57,455,062 | 34,046,929 | 32,746,563 |
| Long-term Negotiable Certificates of Deposit | 9,959,752 | 9,952,430 | 9,943,113 | 9,934,309 |
| | 275,069,749 | 246,812,794 | 205,950,285 | 142,393,253 |
| Financial Liabilities at Fair Value through Profit or Loss (Notes 6 and 18) | 1,378,524 | 582,867 | 784,776 | 1,895,072 |
| Derivative Liabilities Designated as Hedges (Notes 12 and 19) | 22,775 | 58,288 | 93,343 | 190,819 |
| Bills Payable and Securities Sold Under Repurchase Agreements (Note 20) | 116,355,692 | 79,601,534 | 90,112,946 | 64,978,348 |
| Acceptances Payable (Note 12) | 319,094 | 294,373 | 579,215 | 296,806 |
| Margin Deposits and Cash Letters of Credit | 165,860 | 32,972 | 5,901 | 189,592 |
| Manager's and Certified Checks Outstanding | 3,284,502 | 2,156,837 | 1,932,113 | 1,555,719 |
| Income Tax Payable | 63,237 | 47,014 | 41,135 | 15,360 |
| Notes Payable (Note 10) | 13,964,330 | 0 | 0 | 0 |
| Subordinated Note (Note 21) | 9,937,542 | 9,933,491 | 0 | 2,993,359 |
| Accrued Interest, Taxes and Other Expenses (Note 22) | 2,357,476 | 2,139,285 | 1,528,354 | 1,594,746 |
| Other Liabilities (Note 23) | 5,794,902 | 7,581,840 | 4,738,904 | 5,364,183 |
| TOTAL LIABILITIES | 428,713,683 | 349,241,295 | 305,766,972 | 221,467,257 |

**EQUITY ATTRIBUTABLE TO
EQUITY HOLDERS OF THE
PARENT COMPANY**

| | | | | |
|--|--------------------|--------------------|--------------------|--------------------|
| Capital stock (Note 25) | 6,088,594 | 6,088,594 | 5,023,585 | 5,023,585 |
| Stock dividends distributable (Note 25) | 0 | 0 | 1,004,717 | 0 |
| Additional paid-in capital | 3,210,200 | 3,210,200 | 3,210,200 | 3,210,200 |
| Surplus reserves (Note 25) | 469,972 | 487,771 | 395,690 | 312,363 |
| Surplus (Notes 10 and 25) | 42,431,420 | 36,951,697 | 31,011,930 | 28,266,149 |
| Net unrealized gain on financial assets at fair value through other comprehensive income (Note 10) | 43,210 | 41,930 | 35,420 | 44,530 |
| Net unrealized gain on subsidiaries' financial assets at fair value through other comprehensive income (Note 10) | 28,443 | 24,851 | 24,594 | 40,701 |
| Cumulative foreign currency translation | 98,217 | 76,246 | 49,675 | (41,252.00) |
| | 52,370,056 | 46,881,289 | 40,755,811 | 36,856,276 |
| NON-CONTROLLING INTEREST (Note 13) | 1,095,649 | 1,075,750 | 1,019,172 | 939,436 |
| TOTAL EQUITY | 53,465,705 | 47,957,039 | 41,774,983 | 37,795,712 |
| TOTAL LIABILITIES AND EQUITY | 482,179,388 | 397,198,334 | 347,541,955 | 259,262,969 |

BALANCE SHEET (Amounts in Thousands)

| | HORIZONTAL | | | VERTICAL | | |
|--|---------------------|---------------------|-------------|-----------------|-------------|----------------|
| | 2012 vs 2013 | 2013 vs 2014 | 2012 | 2013 | 2014 | Q3 2015 |
| ASSETS | | | | | | |
| Cash and Other Cash Items | 31% | 27% | 1% | 1% | 1% | 1% |
| Due from Bangko Sentral ng Pilipinas (Note 17) | 109% | -21% | 8% | 13% | 9% | 7% |
| Due from Other Banks (Notes 25 and 31) | 13% | 36% | 10% | 8% | 10% | 7% |
| Interbank Loans Receivable and Securities Purchased Under Resale Agreements with the Bangko Sentral ng Pilipinas (Note 31) | -30% | -100% | 7% | 3% | 0% | 0% |
| Financial Assets at Fair Value through Profit or Loss (Notes 6 and 9) | -84% | 201% | 9% | 1% | 3% | 1% |
| Financial Assets at Fair Value through Other Comprehensive Income (Note 10) | -22% | 5% | 0% | 0% | 0% | 0% |
| Investment Securities at Amortized Cost (Notes 11, 20 and 26) | 97% | 29% | 15% | 23% | 26% | 37% |
| Loans and Receivables (Notes 12 and 31) | 38% | 17% | 46% | 48% | 49% | 45% |
| Investments in Subsidiaries and a Joint Venture (Note 13) | 12% | 15% | 0% | 0% | 0% | 0% |
| Property and Equipment (Note 14) | 28% | 23% | 1% | 1% | 1% | 1% |
| Investment Properties (Note 15) | 3% | -3% | 1% | 1% | 0% | 0% |
| Deferred Tax Assets (Note 27) | 32% | 35% | 0% | 0% | 0% | 0% |
| Goodwill (Note 4) | 0% | 0% | 0% | 0% | 0% | 0% |
| Intangible Assets (Note 16) | 59% | 19% | 0% | 0% | 0% | 0% |
| Other Assets (Note 16) | -16% | 0% | 1% | 1% | 1% | 1% |
| TOTAL ASSETS | 34% | 14% | 100% | 100% | 100% | 100% |
| LIABILITIES AND EQUITY | | | | | | |
| LIABILITIES | | | | | | |
| Deposit Liabilities (Notes 17 and 31) | | | | | | |
| Demand | 31% | 22% | 15% | 15% | 16% | 15% |
| Savings | 83% | 6% | 23% | 32% | 29% | 27% |
| Time | 4% | 69% | 13% | 10% | 14% | 13% |
| Long-term Negotiable Certificates of Deposit | 0% | 0% | 4% | 3% | 3% | 2% |
| | 45% | 20% | 55% | 59% | 62% | 57% |

**Financial Liabilities at Fair Value
through Profit or Loss
(Notes 6 and 18)**

| | | | | | | |
|--|------------|------------|------------|------------|------------|------------|
| Derivative Liabilities Designated as Hedges (Notes 12 and 19) | -59% | -26% | 1% | 0% | 0% | 0% |
| Bills Payable and Securities Sold Under Repurchase Agreements (Note 20) | -51% | -38% | 0% | 0% | 0% | 0% |
| Acceptances Payable (Note 12) | 39% | -12% | 25% | 26% | 20% | 24% |
| Margin Deposits and Cash Letters of Credit | 95% | -49% | 0% | 0% | 0% | 0% |
| Manager's and Certified Checks Outstanding | -97% | 459% | 0% | 0% | 0% | 0% |
| Income Tax Payable | 24% | 12% | 1% | 1% | 1% | 1% |
| Notes Payable (Note 10) | 168% | 14% | 0% | 0% | 0% | 0% |
| Subordinated Note (Note 21) | 0% | 0% | 0% | 0% | 0% | 3% |
| Accrued Interest, Taxes and Other Expenses (Note 22) | -100% | #DIV/0! | 1% | 0% | 3% | 2% |
| Other Liabilities (Note 23) | -4% | 40% | 1% | 0% | 1% | 0% |
| | -12% | 60% | 2% | 1% | 2% | 1% |
| TOTAL LIABILITIES | 38% | 14% | 85% | 88% | 88% | 89% |

**EQUITY ATTRIBUTABLE TO
EQUITY HOLDERS OF THE
PARENT COMPANY**

| | | | | | | |
|--|------------|------------|------------|------------|------------|------------|
| Capital stock (Note 25) | 0% | 21% | 2% | 1% | 2% | 1% |
| Stock dividends distributable (Note 25) | #DIV/0! | -100% | 0% | 0% | 0% | 0% |
| Additional paid-in capital | 0% | 0% | 1% | 1% | 1% | 1% |
| Surplus reserves (Note 25) | 27% | 23% | 0% | 0% | 0% | 0% |
| Surplus (Notes 10 and 25) | 10% | 19% | 11% | 9% | 9% | 9% |
| Net unrealized gain on financial assets at fair value through other comprehensive income (Note 10) | -20% | 18% | 0% | 0% | 0% | 0% |
| Net unrealized gain on subsidiaries' financial assets at fair value through other comprehensive income (Note 10) | -40% | 1% | 0% | 0% | 0% | 0% |
| Cumulative foreign currency translation | -220% | 53% | 0% | 0% | 0% | 0% |
| | 11% | 15% | 14% | 12% | 12% | 11% |

**NON-CONTROLLING INTEREST
(Note 13)**

| | | | | | | |
|-------------------------------------|------------|------------|-------------|-------------|-------------|-------------|
| | 8% | 6% | 0% | 0% | 0% | 0% |
| TOTAL EQUITY | 11% | 15% | 15% | 12% | 12% | 11% |
| TOTAL LIABILITIES AND EQUITY | 34% | 14% | 100% | 100% | 100% | 100% |

Vertical Analysis

Most of the company's assets are directly in its operations, with 75%-82% in its two major revenue-producing asset types. A little less than half of the total assets are in "Loans and Receivables" and around 26% (2014) to 37% (Q3 2015) are in Securities. Almost all of the other assets are in cash and its equivalents, with only 1% of total assets in actual cash and the rest split almost evenly between cash due from the Bangko Sentral ng Pilipinas (BSP) and other banks.

This behavior of the company's Balance Sheet is logical due to the nature of its operations. With more focus on directly revenue-generating assets, rather than "maintenance or administrative" assets, this would mean that the bank is efficient and values profitability. The need for actual cash, as opposed to cash due from other banks, are not as crucial due to the fact that most major transactions nowadays involve transfers instead of giving out actual cash.

The bank is heavily leveraged with 88% of its assets financed by liabilities. More than half this, or 62% worth of total assets, are deposit liabilities from its customers due to daily banking operations. These include demand, time and savings deposits. The other major liability or financing source is through bills and securities it owes with other financial institutions, at 20-24% value of total assets. Being heavily leveraged is actually sensible. As a financial intermediary, banks are supposed to provide services using other people's funds. Equities account for only 12% of the bank's finances but this will improve a little because of the increase in stocks due to the sale of a fifth of the company to Mitsubishi UFJ Financial Group (MUFG) in early 2016.

Horizontal Analysis

Revenue-producing assets have been steadily increasing for the company. Securities increased to 97% in 2013 and 29% more in 2014. Loans and receivables increased by 38% in 2013 and 17% more in 2014. There was an increase also in cash assets, albeit in a slower rate. The major change in 2014 would be that more cash were due from other banks rather than with BSP. This changed though in Q3 2015 with more cash due from BSP.

There were consistent increases for both liabilities and equities. Deposits saw an increase of 45% in 2013 and 20% more in 2014. This lead to a 38% increase in total liabilities in 2013 and 14% additional increase in 2014. Equities increased 11% in 2013 and had a higher 15% increase in 2014.

CASH FLOW STATEMENT

STATEMENTS OF CASH FLOWS (Amounts in Thousands)

| | Q3 2015 | Q3 2014 | 31-Dec-14 | CONSOLIDATED 31-Dec-13 | 31-Dec-12 |
|---|-----------------|-----------------|-----------------|---------------------------|-----------------|
| CASH FLOWS FROM | | | | | |
| OPERATING ACTIVITIES | | | | | |
| Income before income tax | 6,776,808.00 | 7,065,839.00 | 8,089,182.00 | 5,511,663.00 | 7,778,970.00 |
| Adjustments for: | | | | | |
| Gain on sale of investment securities at amortized cost (Notes 8 and 11) | - | - | (3,079,540.00) | (2,212,225.00) | (3,273,345.00) |
| Gain on disposal of financial assets at amortized cost (Note 8) | (2,067,016.00) | (3,067,627.00) | - | - | - |
| Unrealized market valuation loss on financial instruments at fair value through profit or loss | (356,257.00) | (485,360.00) | 247,345.00 | 501,927.00 | 65,904.00 |
| Depreciation and amortization (Note 14) | 444,905.00 | 371,191.00 | 522,625.00 | 428,734.00 | 360,401.00 |
| Profit from assets sold/exchanged (Notes 14, 15 and 16) | (102,223.00) | (119,105.00) | (149,020.00) | (197,292.00) | (146,471.00) |
| Provision for credit losses (Note 12) | 599,071.00 | 784,335.00 | 790,065.00 | 128,118.00 | 247,767.00 |
| Provision for (recovery of) impairment losses (Note 16) | 101.00 | (16,589.00) | (35,943.00) | (78,844.00) | 27,667.00 |
| Amortization of software costs (Note 16) | 38,905.00 | 43,657.00 | 56,647.00 | 39,442.00 | 43,632.00 |
| Amortization of transaction cost on Long-term Negotiable Certificates of Deposits (LTNCD) (Note 17) | 7,322.00 | 6,919.00 | 9,317.00 | 8,804.00 | 5,302.00 |
| Amortization of transaction cost on subordinated note (Note 21) | 4,051.00 | 1,169.00 | 2,483.00 | 6,641.00 | 6,484.00 |
| Amortization of transaction costs on notes payable (Note 10) | 6,971.00 | - | - | - | - |
| Share in net income of a joint venture (Note 13) | (14,750.00) | (17,836.00) | (25,523.00) | (18,389.00) | (4,508.00) |
| Changes in operating assets and liabilities: | | | | | |
| Decrease (increase) in the amounts of: | | | | | |
| Financial assets at FVTPL | | | (7,777,822.00) | 17,861,548.00 | (6,191,741.00) |
| Loans and receivables (Note 36) | (23,690,976.00) | (16,965,608.00) | (29,584,803.00) | (45,817,509.00) | (25,873,736.00) |
| Financial assets at FVTPL | 5,847,114.00 | (7,855,132.00) | - | - | - |
| Other assets | (1,497,891.00) | (227,622.00) | 195,991.00 | 301,165.00 | 155,075.00 |
| Increase (decrease) in the amounts of: | | | | | |
| Deposit liabilities | 28,249,631.00 | 25,741,677.00 | 40,853,192.00 | 63,565,836.00 | 8,907,269.00 |
| Acceptances payable | 24,721.00 | (8,046.00) | (284,842.00) | 282,409.00 | 117,128.00 |
| Margin deposits and cash letters of credit | 132,888.00 | 78,749.00 | 27,071.00 | (183,691.00) | 130,397.00 |
| Manager's and certified checks outstanding | 1,127,665.00 | 326,454.00 | 224,724.00 | 376,394.00 | 429,853.00 |
| Accrued interest, taxes and other expenses | 218,191.00 | 258,263.00 | 610,931.00 | (66,392.00) | (366,092.00) |
| Other liabilities | (1,814,311.00) | 171,985.00 | 2,842,049.00 | (628,655.00) | 1,558,413.00 |
| Net cash generated from (used in) operations | 13,934,920.00 | 6,087,313.00 | 13,534,129.00 | 39,809,684.00 | (16,021,631.00) |
| Income taxes paid | (637,412.00) | (692,007.00) | (1,119,569.00) | (562,072.00) | (1,016,991.00) |
| Net cash provided by (used in) operating activities | 13,297,508.00 | 5,395,306.00 | 12,414,560.00 | 39,247,612.00 | (17,038,622.00) |

**CASH FLOWS FROM
INVESTING ACTIVITIES**

Acquisitions of:

| | | | | | |
|---|------------------|-----------------|------------------|-----------------|---------------|
| Investment securities at amortized cost | (111,950,121.00) | (61,197,837.00) | (124,463,389.00) | (71,680,042.00) | (186,484.00) |
| Financial assets at fair value through other comprehensive income | (228.00) | - | - | - | - |
| Property and equipment (Note 14) | (645,324.00) | (741,522.00) | (1,019,436.00) | (1,036,850.00) | (582,955.00) |
| Intangible assets | (77,073.00) | (242,754.00) | - | - | - |
| Software costs (Note 16) | - | - | (114,378.00) | (29,937.00) | (58,919.00) |
| Branch licenses (Note 16) | - | - | (220,000.00) | (480,000.00) | (300,000.00) |
| Acquisition of a subsidiary | - | - | - | - | - |
| Acquisition of a subsidiary, net of cash acquired | - | - | - | - | (273,950.00) |
| Infusion of capital to a subsidiary | - | - | - | - | - |
| Proceeds from: | | | | | |
| Sale/maturities of investment securities at amortized cost | 39,027,983.00 | 68,535,088.00 | 104,572,527.00 | 35,274,329.00 | 20,432,683.00 |
| Disposal of investment properties | 168,994.00 | 110,430.00 | 147,902.00 | 250,792.00 | 193,923.00 |
| Disposal of property and equipment | 84,737.00 | 47,973.00 | 101,169.00 | 277,874.00 | 73,296.00 |
| Sale of financial assets at fair value through other comprehensive income | - | - | - | 15,674.00 | - |
| Net cash provided by (used in) investing activities | (73,391,032.00) | 6,511,378.00 | (20,995,605.00) | (37,408,160.00) | 19,297,594.00 |

**CASH FLOWS FROM
FINANCING ACTIVITIES**

| | | | | | |
|--|-----------------------|-----------------------|------------------------|----------------------|----------------------|
| Proceeds from bills payable and securities sold under repurchase agreements | 4,849,955,385.00 | 3,297,039,000.00 | 4,904,119,261.00 | 3,111,469,036.00 | 7,019,501,584.00 |
| Settlements of bills payable and securities sold under repurchase agreements | (4,813,201,227.00) | (3,321,019,732.00) | (4,914,630,673.00) | (3,086,334,438.00) | (7,006,731,081.00) |
| Proceeds from issuance of notes payable | 13,166,023.00 | - | - | - | - |
| Proceeds from issuance of LTNCD (Note 17) | - | - | - | - | 9,929,008.00 |
| Proceeds from issuance of subordinated note (Note 21) | - | 9,931,008.00 | 9,931,008.00 | - | - |
| Settlement of subordinated note | - | - | - | (3,000,000.00) | - |
| Cash paid for the acquisition of non-controlling interest | - | - | - | - | (35,954.00) |
| Proceeds from issuance of preferred shares (Note 25) | - | 60,283.00 | 60,283.00 | - | - |
| Cash dividends paid (Note 25) | (601,307.00) | (601,792.00) | (1,204,698.00) | (1,001,342.00) | (1,003,926.00) |
| Net cash provided by (used in) financing activities | 49,318,874.00 | (14,591,233.00) | (1,724,819.00) | 21,133,256.00 | 21,659,631.00 |
| Effect of exchange rate changes on cash and cash equivalents | 813,306.00 | 40,378.00 | 26,571.00 | 90,927.00 | (85,028.00) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (9,961,344.00) | (2,644,171.00) | (10,279,293.00) | 23,063,635.00 | 23,833,575.00 |

**CASH AND CASH
EQUIVALENTS AT
BEGINNING OF YEAR**

| | | | | | |
|--|----------------------|----------------------|-------------------|-------------------|-------------------|
| Cash and other cash items | 5,619,751.00 | 4,428,863.00 | 4,428,863.00 | 3,372,558.00 | 2,315,588.00 |
| Due from Bangko Sentral ng Pilipinas | 35,843,596.00 | 45,583,991.00 | 45,583,991.00 | 21,779,290.00 | 15,936,205.00 |
| Due from other banks | 39,129,595.00 | 28,739,381.00 | 28,739,381.00 | 25,406,752.00 | 20,573,232.00 |
| Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas | - | 12,120,000.00 | 12,120,000 | 17,250,000 | 5,150,000 |
| | 80,592,942.00 | 90,872,235.00 | 90,872,235 | 67,808,600 | 43,975,025 |

CASH AND CASH**EQUIVALENTS AT****END OF YEAR (Note 36)**

| | | | | | |
|--|----------------------|----------------------|-------------------|-------------------|-------------------|
| Cash and other cash items | 4,477,004.00 | 3,817,548.00 | 5,619,751 | 4,428,863 | 3,372,558 |
| Due from Bangko Sentral ng Pilipinas | 34,688,390.00 | 31,937,802.00 | 35,843,596 | 45,583,991 | 21,779,290 |
| Due from other banks | 31,466,204.00 | 44,472,714.00 | 39,129,595 | 28,739,381 | 25,406,752 |
| Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas | — | 8,000,000.00 | — | 12,120,000 | 17,250,000 |
| | 70,631,598.00 | 88,228,064.00 | 80,592,942 | 90,872,235 | 67,808,600 |

OPERATIONAL CASH FLOWS**FROM INTEREST AND****DIVIDENDS**

| | | | | | |
|--------------------|-------------------|------------------|---------------|---------------|--------------|
| Interest received | 13,088,261.00 | 11,661,258.00 | 14,399,926 | 11,616,745 | 12,038,467 |
| Interest paid | 4,257,412.00 | 2,853,220.00 | 3,858,993 | 3,942,287 | 3,424,674 |
| Dividends received | 170,536.00 | 15,670.00 | 16,557 | 19,045 | 4,938 |

STATEMENTS OF CASH FLOWS (Amounts in Thousands)

| | HORIZONTAL | | | VERTICAL | | | | |
|---|--------------|--------------|--------------------|----------|-------|------------|---------------|---------------|
| | 2012 vs 2013 | 2013 vs 2014 | Q3 2014 vs Q3 2015 | 2012 | 2013 | 2014 (neg) | Q3 2014 (neg) | Q3 2015 (neg) |
| CASH FLOWS FROM | | | | | | | | |
| OPERATING ACTIVITIES | | | | | | | | |
| Income before income tax | -29% | 47% | -4% | 33% | 24% | -79% | -267% | -68% |
| Adjustments for: | | | | | | | | |
| Gain on sale of investment securities at amortized cost (Notes 8 and 11) | -32% | 39% | #DIV/0! | -14% | -10% | 30% | 0% | 0% |
| Gain on disposal of financial assets at amortized cost (Note 8) | #DIV/0! | #DIV/0! | -33% | 0% | 0% | 0% | 116% | 21% |
| Unrealized market valuation loss on financial instruments at fair value through profit or loss | 662% | -51% | -27% | 0% | 2% | -2% | 18% | 4% |
| Depreciation and amortization (Note 14) | 19% | 22% | 20% | 2% | 2% | -5% | -14% | -4% |
| Profit from assets sold/exchanged (Notes 14, 15 and 16) | 35% | -24% | -14% | -1% | -1% | 1% | 5% | 1% |
| Provision for credit losses (Note 12) | -48% | 517% | -24% | 1% | 1% | -8% | -30% | -6% |
| Provision for (recovery of) impairment losses (Note 16) | -385% | -54% | -101% | 0% | 0% | 0% | 1% | 0% |
| Amortization of software costs (Note 16) | -10% | 44% | -11% | 0% | 0% | -1% | -2% | 0% |
| Amortization of transaction cost on Long-term Negotiable Certificates of Deposits (LTNCD) (Note 17) | 66% | 6% | 6% | 0% | 0% | 0% | 0% | 0% |
| Amortization of transaction cost on subordinated note (Note 21) | 2% | -63% | 247% | 0% | 0% | 0% | 0% | 0% |
| Amortization of transaction costs on notes payable (Note 10) | | | | 0% | 0% | 0% | 0% | 0% |
| Share in net income of a joint venture (Note 13) | 308% | 39% | -17% | 0% | 0% | 0% | 1% | 0% |
| Changes in operating assets and liabilities: | | | | | | | | |
| Decrease (increase) in the amounts of: | | | | | | | | |
| Financial assets at FVTPL | -388% | -144% | #DIV/0! | -26% | 77% | 76% | 0% | 0% |
| Loans and receivables (Note 36) | 77% | -35% | 40% | -109% | -199% | 288% | 642% | 238% |
| Financial assets at FVTPL | #DIV/0! | #DIV/0! | -174% | 0% | 0% | 0% | 297% | -59% |
| Other assets | 94% | -35% | 558% | 1% | 1% | -2% | 9% | 15% |
| Increase (decrease) in the amounts of: | | | | | | | | |
| Deposit liabilities | 614% | -36% | 10% | 37% | 276% | -397% | -974% | -284% |
| Acceptances payable | 141% | -201% | -407% | 0% | 1% | 3% | 0% | 0% |
| Margin deposits and cash letters of credit | -241% | -115% | 69% | 1% | -1% | 0% | -3% | -1% |
| Manager's and certified checks outstanding | -12% | -40% | 245% | 2% | 2% | -2% | -12% | -11% |
| Accrued interest, taxes and other expenses | -82% | -1020% | -16% | -2% | 0% | -6% | -10% | -2% |
| Other liabilities | -140% | -552% | -1155% | 7% | -3% | -28% | -7% | 18% |
| Net cash generated from (used in) operations | -348% | -66% | 129% | -67% | 173% | -132% | -230% | -140% |
| Income taxes paid | -45% | 99% | -8% | -4% | -2% | 11% | 26% | 6% |
| Net cash provided by (used in) operating activities | -330% | -68% | 146% | -71% | 170% | -121% | -204% | -133% |

**CASH FLOWS FROM
INVESTING ACTIVITIES**

Acquisitions of:

| | | | | | | | | |
|---|---------|---------|---------|-----|-------|--------|--------|-------|
| Investment securities at amortized cost | 38338% | 74% | 83% | -1% | -311% | 1211% | 2314% | 1124% |
| Financial assets at fair value through other comprehensive income | #DIV/0! | #DIV/0! | #DIV/0! | 0% | 0% | 0% | 0% | 0% |
| Property and equipment (Note 14) | 78% | -2% | -13% | -2% | -4% | 10% | 28% | 6% |
| Intangible assets | #DIV/0! | #DIV/0! | -68% | 0% | 0% | 0% | 9% | 1% |
| Software costs (Note 16) | -49% | 282% | #DIV/0! | 0% | 0% | 1% | 0% | 0% |
| Branch licenses (Note 16) | 60% | -54% | #DIV/0! | -1% | -2% | 2% | 0% | 0% |
| Acquisition of a subsidiary | | | | 0% | 0% | 0% | 0% | 0% |
| Acquisition of a subsidiary, net of cash acquired | -100% | #DIV/0! | #DIV/0! | -1% | 0% | 0% | 0% | 0% |
| Infusion of capital to a subsidiary | | | | | | | | |
| Proceeds from: | | | | | | | | |
| Sale/maturities of investment securities at amortized cost | 73% | 196% | -43% | 86% | 153% | -1017% | -2592% | -392% |
| Disposal of investment properties | 29% | -41% | 53% | 1% | 1% | -1% | -4% | -2% |
| Disposal of property and equipment | 279% | -64% | 77% | 0% | 1% | -1% | -2% | -1% |
| Sale of financial assets at fair value through other comprehensive income | #DIV/0! | -100% | #DIV/0! | 0% | 0% | 0% | 0% | 0% |
| Net cash provided by (used in) investing activities | -294% | -44% | -1227% | 81% | -162% | 204% | -246% | 737% |

**CASH FLOWS FROM
FINANCING ACTIVITIES**

Proceeds from bills payable and

| | | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|----------|---------|
| securities sold under repurchase agreements | -56% | 58% | 47% | 29452% | 13491% | -47709% | -124691% | -48688% |
| Settlements of bills payable and securities sold under repurchase agreements | -56% | 59% | 45% | -29399% | -13382% | 47811% | 125598% | 48319% |
| Proceeds from issuance of notes payable | #VALUE! | #VALUE! | #VALUE! | #VALUE! | #VALUE! | #VALUE! | #VALUE! | -132% |
| Proceeds from issuance of LTNCD (Note 17) | #VALUE! | #VALUE! | #VALUE! | 42% | #VALUE! | #VALUE! | #VALUE! | #VALUE! |
| Proceeds from issuance of subordinated note (Note 21) | #VALUE! | #VALUE! | #VALUE! | #VALUE! | #VALUE! | -97% | -376% | #VALUE! |
| Settlement of subordinated note | #VALUE! | #VALUE! | #VALUE! | #VALUE! | -13% | #VALUE! | #VALUE! | #VALUE! |
| Cash paid for the acquisition of non-controlling interest | #VALUE! | #VALUE! | #VALUE! | 0% | #VALUE! | #VALUE! | #VALUE! | #VALUE! |
| Proceeds from issuance of preferred shares (Note 25) | #VALUE! | #VALUE! | #VALUE! | #VALUE! | #VALUE! | -1% | -2% | #VALUE! |
| Cash dividends paid (Note 25) | 0% | 20% | 0% | -4% | -4% | 12% | 23% | 6% |
| Net cash provided by (used in) financing activities | -2% | -108% | -438% | 91% | 92% | 17% | 552% | -495% |
| Effect of exchange rate changes on cash and cash equivalents | -207% | -71% | 1914% | 0% | 0% | 0% | -2% | -8% |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | -3% | -145% | 277% | 100% | 100% | 100% | 100% | 100% |

**CASH AND CASH
EQUIVALENTS AT
BEGINNING OF YEAR**

| | | | | | | | | |
|---|------|------|---------|------|------|-------|--------|---------|
| Cash and other cash items | 46% | 31% | 27% | 10% | 15% | -43% | -167% | -56% |
| Due from Bangko Sentral ng Pilipinas | 37% | 109% | -21% | 67% | 94% | -443% | -1724% | -360% |
| Due from other banks | 23% | 13% | 36% | 86% | 110% | -280% | -1087% | -393% |
| Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas | 235% | -30% | #VALUE! | 22% | 75% | -118% | -458% | #VALUE! |
| | 54% | 34% | -11% | 185% | 294% | -884% | -3437% | -809% |

| | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|--------------|---------------|--------------|
| CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 36) | | | | | | | | |
| Cash and other cash items | 31% | 27% | 17% | 14% | 19% | -55% | -144% | -45% |
| Due from Bangko Sentral ng Pilipinas | 109% | -21% | 9% | 91% | 198% | -349% | -1208% | -348% |
| Due from other banks | 13% | 36% | -29% | 107% | 125% | -381% | -1682% | -316% |
| Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas | -30% | #VALUE! | #VALUE! | 72% | 53% | #VALUE! | -303% | #VALUE! |
| | 34% | -11% | -20% | 285% | 394% | -784% | -3337% | -709% |
| OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS | | | | | | | | |
| Interest received | -4% | 24% | 12% | 51% | 50% | -140% | -441% | -131% |
| Interest paid | 15% | -2% | 49% | 14% | 17% | -38% | -108% | -43% |
| Dividends received | 286% | -13% | 988% | 0% | 0% | 0% | -1% | -2% |

Vertical Analysis

The company had been experiencing negative net cash flows in 2014 and Q3 2015.

The major cause of this is the significant increase in Investing Activities, specifically investment in securities. Operating activities are still the consistent source of positive cash flow.

Horizontal Analysis

As mentioned above, investing activities are the major reason for the negative net cash flow in the recent years. Though investing had been providing negative cash flow, its high increase in securities per year (83% in 2013 and 74% in 2014) finally made it high enough to turn around net cash flow. Financing activities had also been a negative in 2014 but was a positive in Q3 2015 mainly due to P13B in notes issued. Overall, even with the negative net cash flow in the past couple of years, the bank is still liquid enough as the decrease is only a portion of the total cash and cash equivalent that it possesses. Furthermore, bulk of the lost cash is in investing activities, which would in essence lead to future cash flows.

Financial Analysis – Financial Ratios

| LIQUIDITY | 2014 | Q3 2015 |
|------------------------------|-------------|----------------|
| Liquid to Total Assets | 48.63% | 52.56% |
| Loans to Deposit Ratio | 78.60% | 78.86% |
| SOLVENCY | | |
| Debt-to-Equity Ratio | 7.45 | 8.19 |
| Asset-to-Equity Ratio | 8.47 | 9.21 |
| Interest Rate Coverage Ratio | 2.91 | 2.57 |
| PROFITABILITY | | |
| Return on Assets | 1.91% | 1.88% |
| Return on Equity | 16.32% | 16.11% |
| Net Interest Margin | 3.37% | 3.20% |
| Cost to Income Ratio | 47.27% | 48.57% |
| ASSET QUALITY | | |
| Non-Performing Loans Ratio | 0.28% | 0.31% |
| Non-Performing Loan Cover | 200.45% | 178.71% |

Liquidity

The company's liquidity is stable in that more or less half of its total assets are liquid assets. Furthermore, almost 79% of its deposits are lent out as loans and receivables. Some liquidity risks maybe involved but an important thing to note is that improving liquidity might lead to opportunity costs and loss in profitability.

Leverage

As mentioned before, the company is heavily leveraged, with more or less 8 times worth of debt as equity. This is around 88%-89% of total assets in liabilities, which is reasonable being a financial intermediary. However, these numbers can be improved upon with strategic partnerships such as the recent one with MUFG.

Profitability

As most of its assets are in revenue-producing assets, the company still has a good Return on Assets (ROA) at a little less than 2%. This might seem low but is the highest in the industry. This underscores the importance of diversifying the company's revenue source. Though the relatively high-risk high-return nature of investment banking provides better bottom line, strengthening the retail-banking unit can provide stable and consistent returns.

The bank has a Return on Equity (ROE) of a little bit more than 16%, which is currently the best in the industry. This is due to a combination of good profitability for a medium-sized bank and high leveraging. This is probably one of the significant pull that made MUFG buy a portion of the company.

Asset Quality

Only a minimal portion of loans given out are non-performing, with about 0.3%. Furthermore, the company has been conservative in its approach in that the allowance for probable losses in loans is twice of the actual losses. This is a good safeguard especially with historical banking mistakes such as the Subprime Crisis and fears of bubbles and the trickle-down effect of current global economic issues.

Internal Factor Evaluation (IFE)

| INTERNAL FACTORS | WEIGHT | RATING | SCORE |
|--|-------------|--------|-------------|
| STRENGTHS | | | |
| Strategic partnership that gave 20% ownership to BTMU | 0.15 | 4 | 0.6 |
| "Better Banking" initiative that focuses on customer service and online availability | 0.14 | 3 | 0.42 |
| Highest ROA and ROE in the industry at 1.91% and 16.32% respectively | 0.10 | 4 | 0.4 |
| 18% increase in revenues from loan interests | 0.08 | 4 | 0.32 |
| Unique and Value for money products and services | 0.02 | 3 | 0.06 |
| WEAKNESSES | | | |
| Relatively low visibility of branches and ATM's with only 257 branches | 0.14 | 2 | 0.28 |
| Heavy reliance on the variability of investment banking (est. 46%) | 0.10 | 2 | 0.2 |
| Relatively low market share in terms of Assets at 10th | 0.10 | 2 | 0.2 |
| Weak retail unit that accounts for less than 15% of revenues | 0.09 | 2 | 0.18 |
| Weak deposit numbers as out of the top 10 of the industry | 0.08 | 2 | 0.16 |
| TOTAL | 1.00 | | 2.82 |

S1. Strategic partnership that gave 20% ownership to BTMU

The strategic partnership with MUFG is a major strength as it provided the company with the much-needed resources to fast track its expansion plans. It also opened up opportunities in providing new products and services related to the Japanese market. This is why a 4 rating was given for this strength.

S2. "Better Banking" initiative that focuses on customer service and online availability

The "Better Banking" initiative is a major program of the bank. It is a minor strength (3), however, as it is still in its early stages. There is some room for improvement regarding the number of branches and the brand recognition of the company. It will be a major strength once the plans are fast tracked.

S3. Highest ROA and ROE in the industry at 1.91% and 16.32% respectively

Another major strength (4) of the company is its operational efficiency. The company has the highest ROA and ROE in the industry at 1.91% and 16.32% respectively. This is one of the major reasons that MUFG chose this company to become its partner. This shows good management, which will attract investors. More investors, in turn, will lead to more capital and growth.

S4. 18% increase in revenues from loan interests

The bank historically has consistent growth in interest revenues. Gross interest revenue increased by 18% in 2014 and is expected to increase another 18% in 2015. This shows continuous growth and high profitability.

S5. Unique and Value for money products and services

The bank tried to provide differentiated products and services to its customers. Unlike other companies, Security Bank customers can withdraw from ATM's of other banks without extra charges. It also launched the Cashback credit card that provided comprehensive and high rebate rates. Unfortunately, it is still a minor strength as the marketing of these products and features can still be improved upon.

W1. Relatively low visibility of branches and ATM's with only 257 branches

One of the more significant weaknesses of the bank is that it has relatively few branches. It has the lowest number of the three competitors. This is merely a minor

weakness (2), however, as the branch expansion plans is expected to improve this number further.

W2. Heavy reliance on the variability of investment banking (est. 46%)

The company has a heavy reliance on investment banking. Though this helps the company's bottom line, this causes the bank to be more exposed to the risks and variability of the financial markets. This is currently being countered by the retail push, which provides a more stable source of revenue. This is why the weakness is rated as a minor one (2).

W3. Relatively low market share in terms of Assets at 10th

The bank also has a low market share in Assets at 10th. This limits the flexibility and potential of the bank even though it is currently doing well. The weakness is seen as minor, however, as the MUFG partnership is expected to increase the company's rank by the end of 2016.

W4. Weak retail unit that accounts for less than 15% of revenues

A weak retail unit, with an estimated less than 15% of revenues, had been one of the criticisms of the company. This is because retail banking is seen as a more stable revenue source and a good source of capital, through deposits. Similar to the other weaknesses, the retail banking push aims to improve this problem, garnering a 2 score.

W5. Weak deposit numbers as out of the top 10 of the industry

The low deposit market share of Security Bank is related to the weak retail unit above. As such, this will be seen as a minor weakness due to the current retail push of the company.

Strengths and Weaknesses Assessment

Overall, the company scored a decent 2.82. All of the above weaknesses are rated as minor as the company currently has many initiatives and programs already in place to counter them. The MUFG partnership would definitely increase the company's assets. This would fast track the "Better Banking" and branch expansion plans of the bank. This would then counter the other four weaknesses by opening more branches and strengthening the retail unit. This would reduce dependence on investment banking and increase deposit numbers. In fact, early unaudited 2015 data shows such improvements. Assets have increased to P532B. Net interest income increased to P12.4B. Non-interest income increased to P6.5B, mostly due to the 38% increase in revenues from fees and charges.

Analysis of the Bank's Functional Areas

The bank's functional area can be segregated into the three revenue sources, namely: retail, corporate and investment banking. It is known that the bank has strong corporate and investment banking units. However, its retail banking unit is relatively weak.

An overwhelming majority of its interest revenues come from its corporate loans, as opposed to loans from retail products. Furthermore, its investment unit provided significant revenues as well. Most of its investments come from government securities. The continuous improvement of the country's credit rating meant that these securities dramatically increased in value the past couple of years.

Corporate and investment banking make less use of "maintenance" assets, as opposed to retail banking. These former two functional areas are more intensive on revenue-producing assets while retail banking needs more maintenance assets such as land and property for branches, which has indirect impact to the revenues. This is because corporate banking works in volume, with significant profits earned from each individual client. Furthermore, transactions are mostly directed to the front office and not from individual branches.

Investment banking, on the other hand, works similarly in that they are not reliant on the number of branches and are mostly operated in a "center" such as the head office. Retail banking needs more indirect assets and expenses such as more land, property and employees. One can say that the weak retail banking of the company might have led to the strong ROA and ROE numbers.

However, the company has fully appreciated the benefits gained from a strong retail unit. This functional area provides a more stable revenue source and a continuous supply of capital, through the deposits. Having a strong retail unit is also aligned with the company's Vision of being one of the leaders in all branches of the industry. By strengthening the retail branch, the bank is taking the next step from a differentiated player focused on corporate and investment banking, to a truly major industry player. This is why the company made its retail banking push in the past few years.

STRATEGY FORMULATION

Current Strategy

Security Bank has a strong corporate and investment banking unit. In 2014, they launched their “Better Banking” initiative in order to strengthen their retail-banking unit in the hopes that it will contribute equally with the other 2 units. As per their 2014 Annual Report, the end goal is to become the best retail bank. A lot of foundation building initiatives has already been made such as faster loan turn-around time, online availability and better service. Branch expansions are also part of this initiative. With the 20% partnership with MUFG in early 2016, the bank can fast track these plans with the additional resources.

SWOT Analysis

| | |
|---|---|
| <p>STRENGTHS</p> <ol style="list-style-type: none"> 1. Strategic partnership that gave 20% ownership to BTMU 2. "Better Banking" initiative that focuses on customer service and online availability 3. Highest ROA and ROE in the industry at 1.91% and 16.32% respectively 4. 18% increase in revenues from loan interests 5. Unique and Value for money products and services | <p>OPPORTUNITIES</p> <ol style="list-style-type: none"> 1. Property boom in the Philippines leads to higher demand for loans 2. Around 6% growth of the Philippine economy 3. Philippine Investment Grade (BBB) improves the country's economic outlook 4. Very low 1.4% inflation rate in the Philippines 5. 2016 Philippine Election might lead to increase in economic activity |
| <p>WEAKNESSES</p> <ol style="list-style-type: none"> 1. Relatively low visibility of branches and ATM's with only 257 branches 2. Heavy reliance on the variability of investment banking (est. 46%) 3. Relatively low market share in terms of Assets at 10th 4. Weak retail unit that accounts for less than 15% of revenues 5. Weak deposit numbers as out of the top 10 of the industry | <p>THREATS</p> <ol style="list-style-type: none"> 1. ASEAN integration eases entry of foreign banks 2. Uncertainties regarding China's economy 3. Economic instability caused by the drop of oil prices to the \$30 range 4. Lifting of BSP's ban on new local banks 5. Economic issues and negative interest rate in Japan 6. Culture of weak financial literacy (68th in the world) of Filipinos |
| <p>S-O</p> <ol style="list-style-type: none"> 1. Continue with "Better Banking" initiative to take advantage of increase in retail demand and new commercial centers (S2, S4, O1) 2. Aggressive marketing of the bank's distinct products and services in order to take a share of the economic growth (S5, O3) | <p>W-O</p> <ol style="list-style-type: none"> 1. Target the less affluent and lower classes to increase retail customers (W4, O2, O4, O5) 2. Provide niche products for growing distinct segments (due to economic growth) to improve retail unit (O2, O3, W4) |
| <p>S-T</p> <ol style="list-style-type: none"> 1. Provide new and convenient Japan-related services (e.g. free withdrawal in MUTB ATM's in Japan) (S1, S5, T1, T5) 2. Include financial literacy in its customer service initiatives (S2, T6) 3. Expand to other ASEAN countries with its good financial position (S1, S3, S4, T1) | <p>W-T</p> <ol style="list-style-type: none"> 1. Form strategic partnership with ASEAN banks to increase the bank's assets (W1, T3) 2. Capitalize on expertise in investments to take advantage of bargains in the global bear markets (W2, T2, T3, T5) 3. Merge with other local banks to increase Assets and strengthen against foreign banks (W3, T1) |

The above shows many of the possible strategies that the bank may take. Upon further analysis, not all of them will be applied either due to lack of feasibility or non-alignment with the company's Vision. Some of these strategies can be taken alongside the main strategy, as they are not necessarily mutually exclusive.

The strategy of targeting the less affluent is outside the bank's target market and providing cheap and "fast" products is not aligned with the company's vision of offering quality services. A merger with other local banks will indeed increase Assets but will not provide much customer value as opposed to a partnership with a foreign bank. Expansion to other ASEAN countries is not feasible with bank's current size and is not aligned with the Vision of being the best in the Philippines.

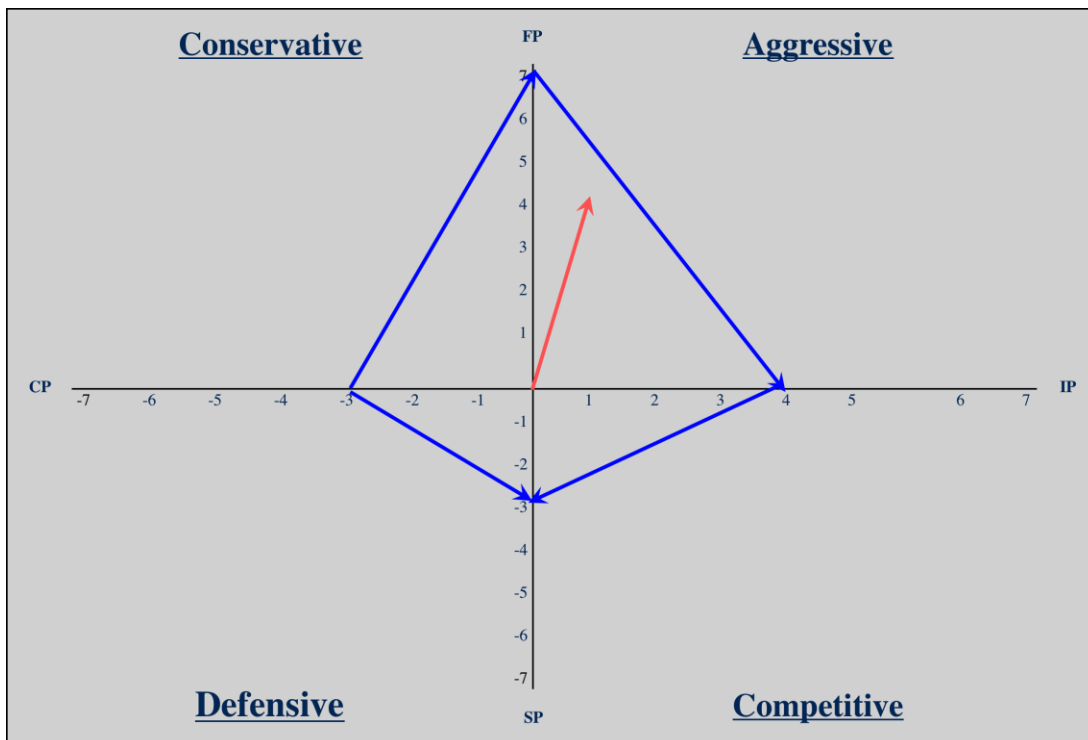
The two main strategies that will be considered are: 1. Fast tracking of the "Better Banking" initiative and branch expansions, and 2. Forming additional strategic partnerships with foreign banks, especially ones from ASEAN.

The other strategies can be executed along with any of the main strategies, as they are independent with each other and do not require significant changes or resources. The growing economy would mean growth of niche segments. Differentiated products can be provided to capture this market, such as OFW credit cards. Due to the company's expertise in the financial markets, the investment-banking unit may take advantage of bargains provided by the bear market, albeit with the corresponding risks involved. Proper marketing of the unique features and products that the bank provides will help brand awareness and improve the retail unit, especially with the growing economy increasing the market. The bank can also take advantage of its MUTB partnership to provide Philippine-Japan services such as free withdrawal in Japan or convenient Peso-Yen conversion. This is to capture markets such as Japanese expatriates, OFW's and travelling businessmen. Finally, the company can include financial literacy in its "Better Banking" initiative, informing customers of alternate products and options.

Strategic Position and Action Evaluation (SPACE) Matrix

| FINANCIAL POSITION (FP) | | INDUSTRY POSITION (SP) | |
|--|-----------|---|-----------|
| Highest ROE in the industry at 16.32% | 7 | 10.7% increase in profit for the banking industry in 2015 | 7 |
| Highest ROA in the industry at 1.91% | 7 | Lifting of BSP on ban to apply for new local banks | 3 |
| Low non-performing loans ratio at 0.28% | 7 | ASEAN integration eases entry of foreign banks | 2 |
| Average | 7 | Average | 4 |
| STABILITY POSITION (SP) | | COMPETITIVE POSITION (CP) | |
| About 6% growth of Philippine economy in 2015 | -1 | Out of top 10 in Deposits | -5 |
| Only 1.4% inflation rate in 2015 | -2 | Only 10th in Assets | -3 |
| Uncertainties in the global markets might impact Philippines | -6 | Only 8th in Loans | -3 |
| | | Partnership with BTMU to improve market position | -1 |
| Average | -3 | Average | -3 |
| Y-AXIS | 4 | X-AXIS | 1 |

For the Financial Position, ratios on Profitability and Asset Quality were used. Stability Position used relevant issues regarding the Philippine economy. Industry Position used entry threats and profitability of the industry. Lastly, Competitive Position used different definitions of market share and the impact of the MUFG partnership.

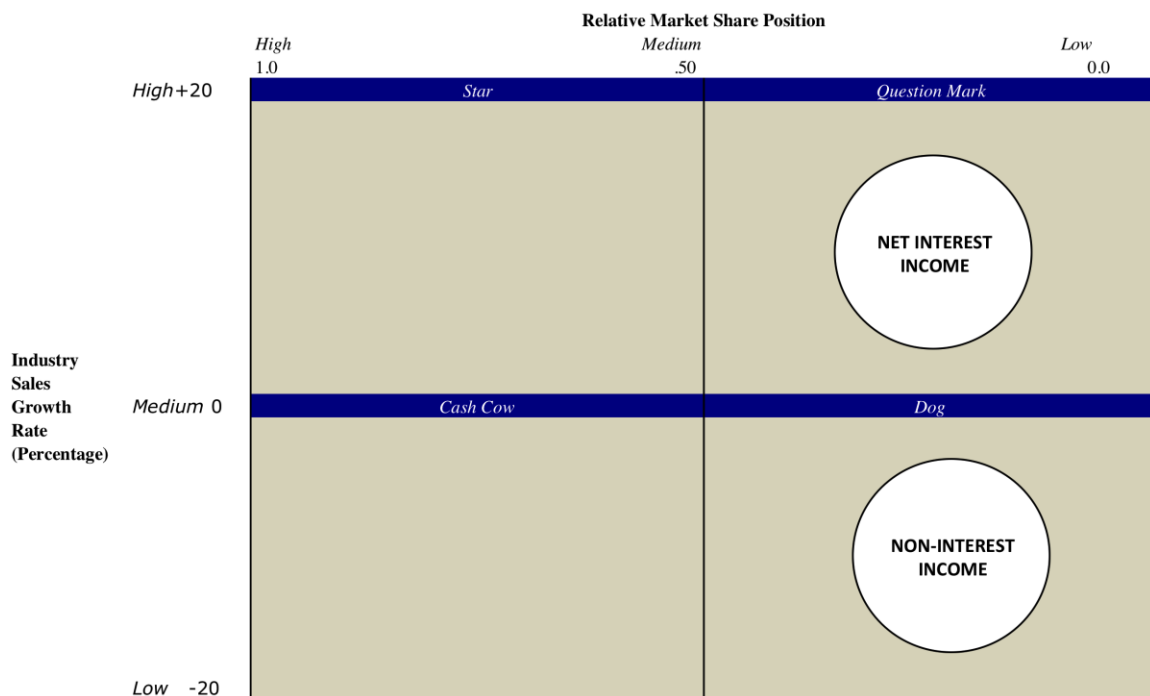


As seen in the above SPACE Matrix, the bank should take an Aggressive Approach. The company should use its strengths to take advantage of opportunities, overcome weaknesses and avoid threats. Ideal strategy types would be Market Penetration, Market Development, Product Development, Backward and Forward Integration, and Related and Unrelated Diversification.

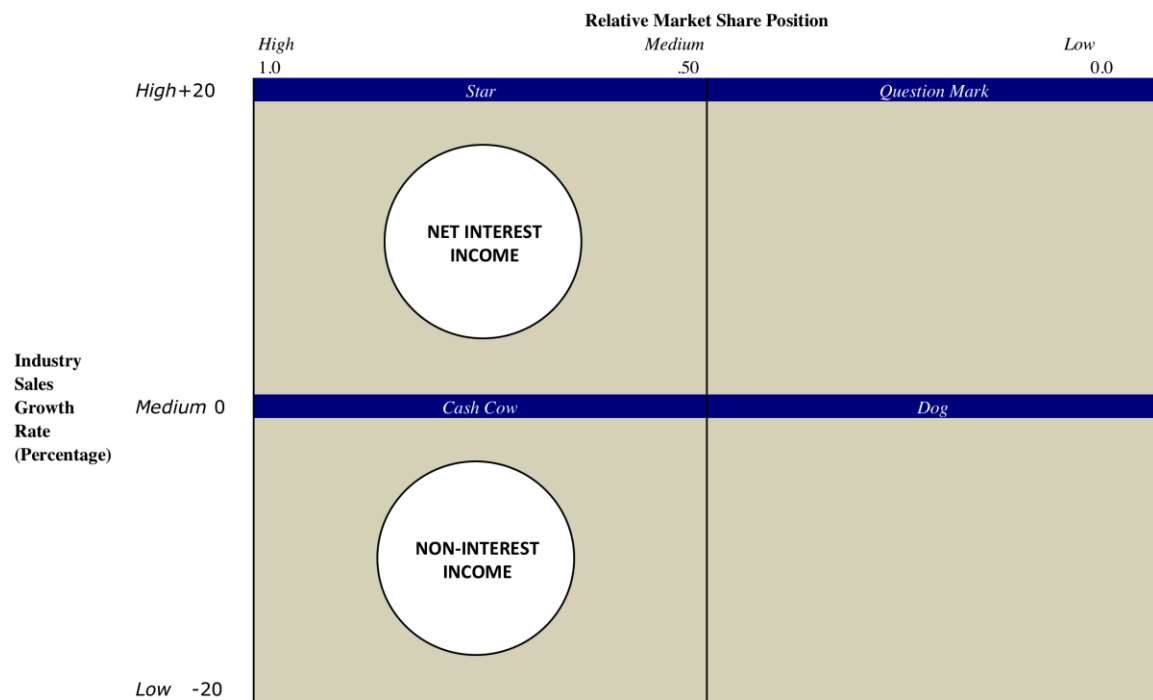
Boston Consulting Group (BCG) Matrix

According to early 2015 data from the BSP, Net Interest Income increased by 8.4% while Non-Interest Income decreased by 11.8%. When using the market leader (BDO) as point of comparison with Security Bank, the following computation and matrix was constructed.

| 2015 Data (In Billions) | NET INTEREST INCOME | NON-INTEREST INCOME |
|----------------------------|---------------------|---------------------|
| INDUSTRY | 283.88 | 112.4 |
| BDO (MARKET LEADER) | 41.8 | 23.8 |
| BDO Market Share | 14.72% | 21.17% |
| SECURITY BANK | 12.4 | 6.5 |
| Security Bank Market Share | 4.37% | 5.78% |
| Ratio | 0.30 | 0.27 |



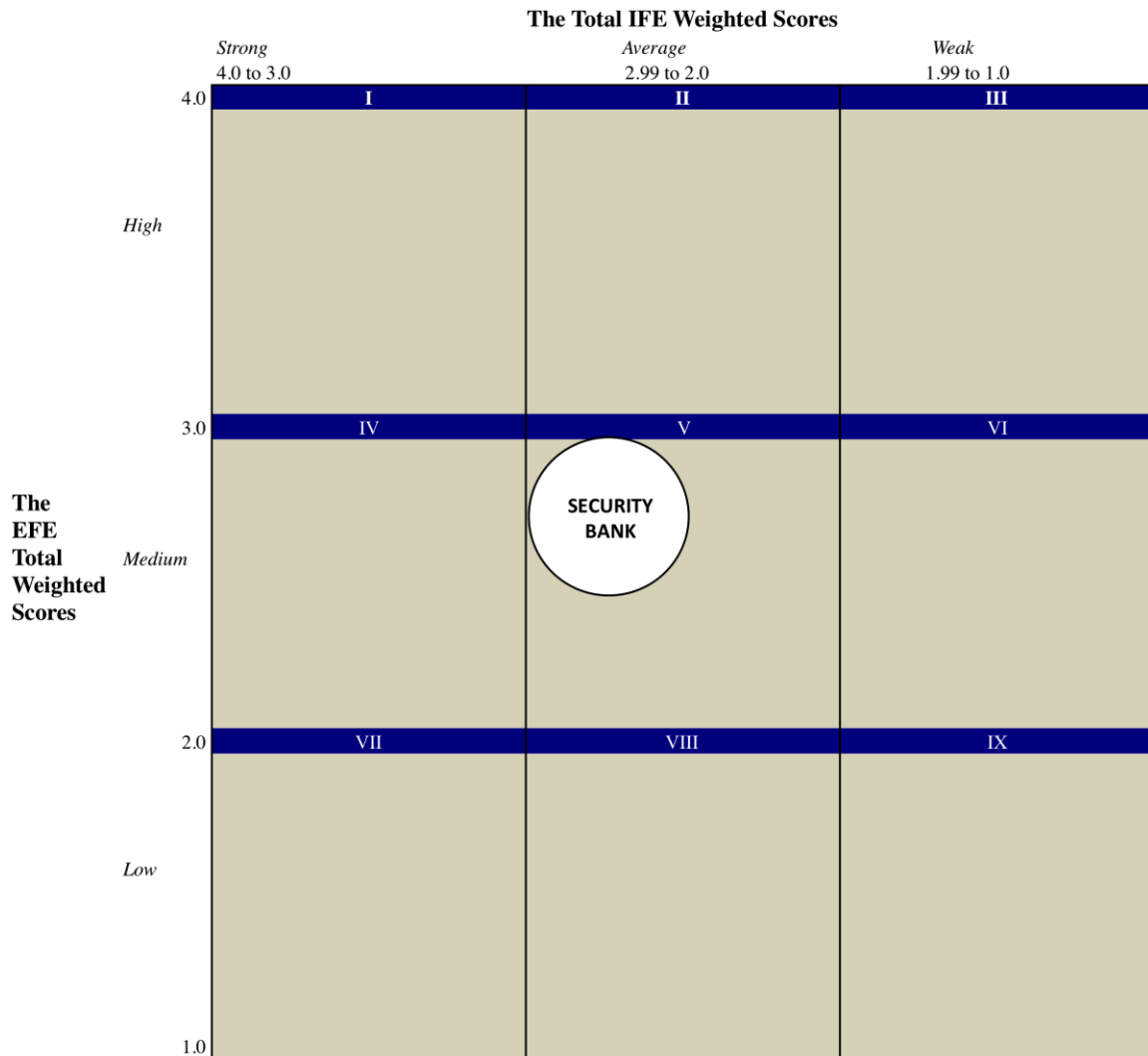
This is counter-intuitive with the performance shown by the bank. This is because the market leader is significantly larger in the wide scope of the banking industry. A BCG Matrix compared to the bank's peers (middle-sized banks), however, provides a different result.



With the company having the largest profits as compared to its two competitors, it will have a larger market share.

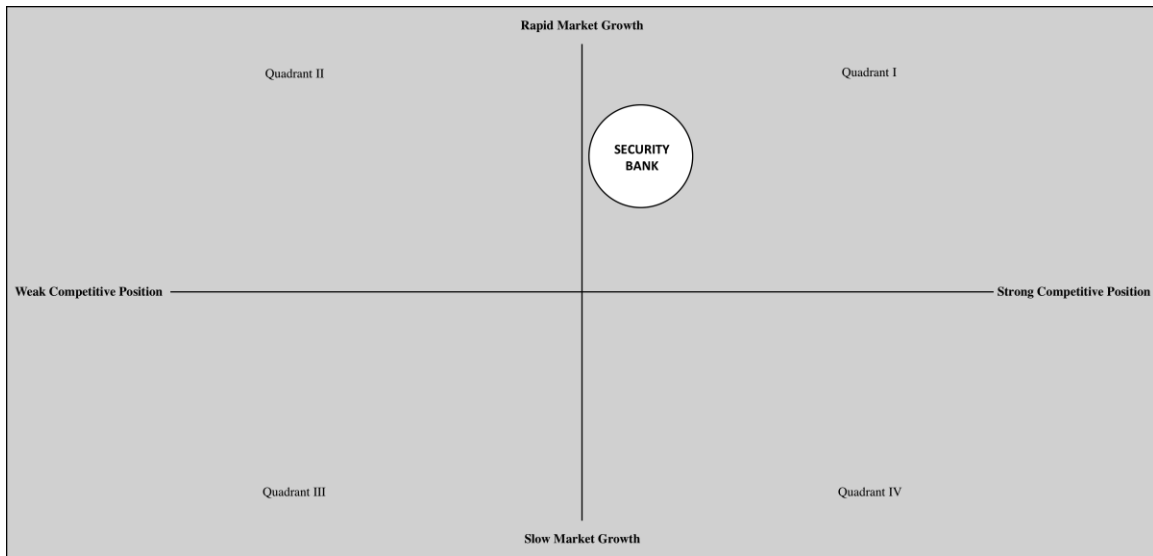
Suggested strategy types would be Market Penetration, Market Development, Product Development, Retrenchment and Divestiture.

Internal-External (IE) Matrix



With an IFE score of 2.82 and an EFE score of 2.81, Security Bank is located at the high Quadrant V, which calls for a “Hold and Maintain” action. Suggested strategy types are Market Penetration and Product Development.

Grand Strategy Matrix



As mentioned before, the banking industry is experiencing fairly strong growth. The company is in a good competitive position but not strong enough to be far from the Y-axis.

The bank is positioned in Quadrant I, which is an excellent strategic position. Suggested strategy types are Market Development, Market Penetration, Product Development, Horizontal, Forward and Backward Integration, and Related Diversification.

Summary of Matrices

| | SWOT | SPACE | BCG | IE | GRAND | SUM |
|---------------------------|------|-------|-----|----|-------|-----|
| FORWARD INTEGRATION | | X | | | X | 2 |
| BACKWARD INTEGRATION | | X | | | X | 2 |
| HORIZONTAL INTEGRATION | | | | | X | 1 |
| MARKET PENETRATION | X | X | X | X | X | 5 |
| MARKET DEVELOPMENT | | X | X | | X | 3 |
| PRODUCT DEVELOPMENT | | X | X | X | X | 4 |
| RELATED DIVERSIFICATION | | X | | | X | 2 |
| UNRELATED DIVERSIFICATION | | X | | | | 1 |
| RETRENCHMENT | | | X | | | 1 |
| DIVESTITURE | | | X | | | 1 |
| LIQUIDATION | | | | | | 0 |
| ACQUISITION | | | | | | 0 |
| MERGER | | | | | | 0 |
| PARTNERSHIP | X | | | | | 1 |

As clearly seen by the summary of matrices, **Market Penetration** strategies is ideal for the company. The most appropriate of which would be the continuation and fast tracking of the “Better Banking” initiative and branch expansion. This would aim to increase the bank’s market share with its current offerings, especially its retail banking unit.

However, intuitively, the alternative strategy of partnering with other foreign banks especially from the ASEAN region is also attractive as it best suits to overcome the threats of economic uncertainties and the ASEAN integration. Though basically a **partnership**, this is a form of **Market Development and Product Development** as well. This is because the partnership with foreign banks would lead to a wide array of multinational products and services. This, in turn, would specialize on niche markets such as the global entrepreneurs and businessmen.

The Quantitative Strategic Planning Matrix (QSPM)

| | | BETTER BANKING | | ASEAN PARTNERSHIP | | |
|---------------|--|-------------------|----|----------------------|----|------|
| Opportunities | | Weight | AS | TAS | AS | TAS |
| 1. | Property boom in the Philippines leads to higher demand for loans | 0.15 | 4 | 0.60 | 2 | 0.30 |
| 2. | Around 6% growth of the Philippine economy | 0.12 | 3 | 0.36 | 2 | 0.24 |
| 3. | Philippine Investment Grade (BBB) improves the country's economic | 0.08 | 3 | 0.24 | 2 | 0.16 |
| 4. | Very low 1.4% inflation rate in the Philippines | 0.07 | 2 | 0.14 | 1 | 0.07 |
| 5. | 2016 Philippine Election might lead to increase in economic activity | 0.05 | 2 | 0.10 | 1 | 0.05 |

| Threats | | Weight | AS | TAS | AS | TAS |
|---------|---|--------|----|------|----|------|
| 1. | ASEAN integration eases entry of foreign banks | 0.15 | 1 | 0.15 | 4 | 0.60 |
| 2. | Uncertainties regarding China's economy | 0.12 | 1 | 0.12 | 4 | 0.48 |
| 3. | Economic instability caused by the drop of oil prices to the \$30 range | 0.10 | 1 | 0.10 | 4 | 0.40 |
| 4. | Lifting of BSP's ban on new local banks | 0.08 | 3 | 0.24 | 4 | 0.32 |
| 5. | Economic issues and negative interest rate in Japan | 0.05 | 1 | 0.05 | 4 | 0.20 |
| 6. | Culture of weak financial literacy (68th in the world) of Filipinos | 0.03 | 3 | 0.09 | 1 | 0.03 |

| Strengths | | Weight | AS | TAS | AS | TAS |
|-----------|--|--------|----|------|----|------|
| 1. | Strategic partnership that gave 20% ownership to BTMU | 0.15 | 3 | 0.45 | 4 | 0.60 |
| 2. | "Better Banking" initiative that focuses on customer service and online availability | 0.14 | 4 | 0.56 | 2 | 0.28 |
| 3. | Highest ROA and ROE in the industry at 1.91% and 16.32% respectively | 0.10 | 4 | 0.40 | 2 | 0.20 |
| 4. | 18% increase in revenues from loan interests | 0.08 | 4 | 0.32 | 3 | 0.24 |
| 5. | Unique and Value for money products and services | 0.02 | 4 | 0.08 | 3 | 0.06 |

| Weaknesses | | Weight | AS | TAS | AS | TAS |
|------------|--|--------|----|------|----|------|
| 1. | Relatively low visibility of branches and ATM's with only 257 branches | 0.14 | 4 | 0.56 | 3 | 0.42 |
| 2. | Heavy reliance on the variability of investment banking (est. 46%) | 0.10 | 4 | 0.40 | 3 | 0.30 |
| 3. | Relatively low market share in terms of Assets at 10th | 0.10 | 1 | 0.10 | 4 | 0.40 |
| 4. | Weak retail unit that accounts for less than 15% of revenues | 0.09 | 4 | 0.36 | 3 | 0.27 |
| 5. | Weak deposit numbers as out of the top 10 of the industry | 0.08 | 4 | 0.32 | 2 | 0.16 |
| TOTALS | | 2.00 | | 5.74 | | 5.78 |

The “Better Banking” initiative has thoroughly taken advantage of the Opportunities of the bank. This is because the expansion is compatible with the country’s economic growth. The ASEAN Partnership strategy, however, is the best to counter threats with globalization and economic uncertainties by providing more resources and flexibility. Strengths and weaknesses are better addressed by the former strategy. This is because the expansion push is in line with the company’s strengths in profitability and operational efficiency. Furthermore, the said push helps counter the bank’s weaknesses in its retail unit.

Overall, ASEAN Partnership is the better-suited strategy but “Better Banking” is not far-off. Though the latter is stronger in three of the four aspects, the former is not far behind and would still satisfy the relevant issues. However, ASEAN Partnership would thoroughly remedy issues regarding threats, which made it have the higher score. Furthermore, it is consistent with the bank’s vision of “beyond borders”, by providing potential services and help for customers even when they’re outside the country. These two strategies are practically tied, however. It is recommended that both strategies should be implemented, as they are not mutually exclusive to each other.

STRATEGY IMPLEMENTATION, MONITORING AND CONTROL

Strategies

The two main strategies of the bank would be:

1. Partnership with an ASEAN bank
2. Fast-tracking of the “Better Banking” initiative and branch expansions

The Better Banking initiative is beneficial in that it would certainly improve the retail unit of the bank. It would provide more visibility with the branch expansion plans. This is in line with the bank’s Vision of being strong in all of its units. Successful implementation of this strategy would prep the bank to become a major player of the industry.

The partnership with a major ASEAN bank is beneficial in that it is aligned with the company’s Vision of servicing beyond borders. The company is already known as providing premium services for a relatively cheaper price. One can withdraw in any other local banks without the additional fees, similar to premium multinational banks such as Citibank. By partnering with foreign banks, Security Bank can deliver other services provided by these premium companies that it currently does not provide.

With the partnership, Security Bank account holders can withdraw the equivalent foreign currencies from their Peso account when abroad through the partner bank’s ATM’s. International transfers and payments while abroad are also easily facilitated

through the partnership. There is a sure demand of these multinational products and services as the ASEAN integration would mean an increase of entrepreneurs and businessmen doing business between the Philippines and other ASEAN countries. Basically, we are turning the threat of integration into an opportunity.

There is also a willing list of foreign banks that is keen on accepting this opportunity of partnership. This is because the partnership strategy provides a lower-risk and cheaper way for these foreign banks to expand to the Philippines as opposed to actually opening up their own branches in the country.

Other minor strategies are still recommended such as:

1. Informative and wide-reaching marketing in order to communicate the bank's array of quality services and features.
2. Sustainability plan to strengthen the investment-banking unit as, even with the retail banking push, it would be detrimental to weaken a major revenue source.
3. Make use of foreign partnerships (such as the one with MUTB) to create "global" services and features to capture certain market segments.

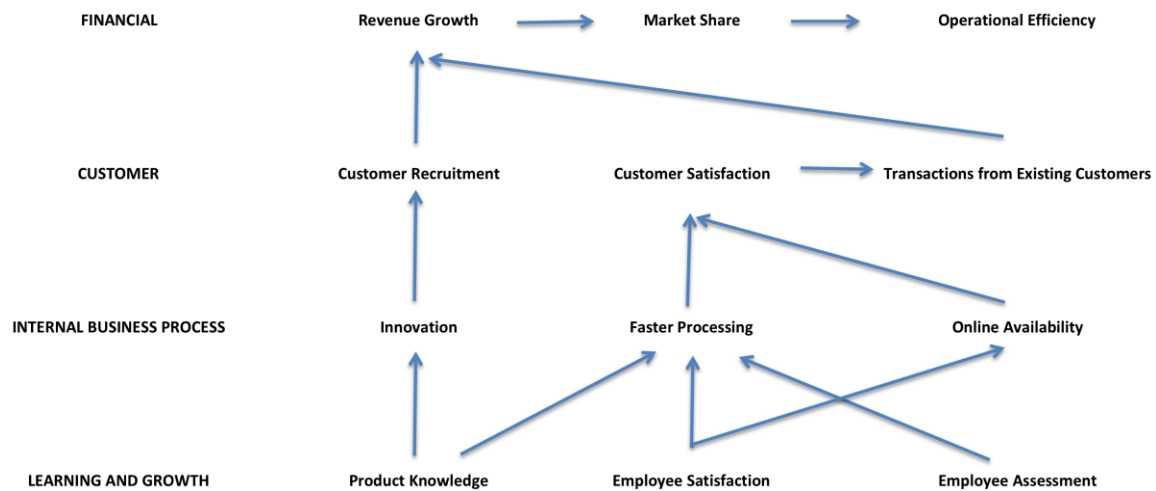
Strategic Objectives

1. Open at least 30 strategically located branches every year.
2. Forge partnership with at least 1 major ASEAN bank by 2018.
3. Increase market share ranking in Assets, Loans and Deposits by at least 3 notches each by 2018.

Financial Objectives

1. Consistently High Net Income growth rate with 2017-2018 growth rates at least about 30%.
2. Maintain high and, if possible, industry leadership of Asset Quality, Return on Equities and Return on Assets.
3. Double Retail Banking revenue output by 2018.

Strategy Map



Improving employee satisfaction can provide efficiencies in both processing time and online maintenance. Furthermore, training on product knowledge leads to innovative services and features, which leads to recruitment of new customers. With the improved internal processes, both online and at the branch, customer satisfaction will remain high. This leads to higher chance of additional services bought by existing clients. Overall, the increase in transactions made by both new and existing customers will lead to revenue growth and an improvement in the market share. The improved financial position will then lead to maintaining the high operational efficiency.

Action Plan

The action plan for the “Better Banking” initiative would be the same as the status quo, albeit on a faster pace with the added resources. The action plan for the ASEAN Integration strategy is also found below.

| ACTION PLAN - Better Banking | | | |
|---|--|---|--|
| Tasks | Time Frame | People Responsible | Specific Indicators |
| 1) Determine profitable and strategic areas for branch opening | 6 months | Logistics and Specially Assigned Team for the Project | List of areas for branch expansion |
| 2) Create and research on new retail products and services | 6 months | Research and Development | New products and services |
| 3) Create Marketing Plan to informatively communicate these new products and services | 3 months | Marketing Team | Marketing Plan |
| 4) Training and Hiring of employees for the new services and new branches | Continuous | Human Resource | Well-trained and significant pool of employees |
| 5) Construction and opening of the new branches | 3 years | Logistics and Branch Officers | 30 new strategically-located branches per year |
| 6) Evaluation and Monitoring | Continuous | Specially Assigned Team for the Project | Budget and Timeline |
| | TOTAL TIME: 3 Years (Time frames are overlapping and most tasks are continuous throughout the 3-year span of the study) | | |

| ACTION PLAN - ASEAN Integration | | | |
|---|-----------------------|--|---|
| Tasks | Time Frame | People Responsible | Specific Indicators |
| 1) Determine target banks | 2 months | Executives and Specially Assigned Team for the Project | List of major ASEAN banks |
| 2) Create Proposal | 3 months | Executives and Specially Assigned Team for the Project | List of objectives and potential benefits of both parties |
| 3) Communicate and Negotiate | 6 months | Specially Assigned Team for the Project | Specific clauses and values for the contracts |
| 4) Final Agreement | 3 months | Executives | Approval by the Executives and the Board |
| 5) Requirements and Licenses | 3 months | Legal | Mandatory licenses, fees and approvals |
| 6) Contract Signing and Press Release | 1 month | Marketing and Communication | Public announcement and actual signing |
| 7) Evaluation and Monitoring | Length of the project | Specially Assigned Team for the Project | Budget and Timeline |
| TOTAL TIME: 18 months (1 and a half years) | | | |

Security Bank must look into three criteria when searching for the ideal ASEAN bank partner:

1. Wide reach – The ASEAN bank must preferably have presence in multiple ASEAN countries. This would mean efficiency for Security Bank in that one partnership would mean access to multiple markets. Currently, the top 3 banks in the region are present in 17-19 countries.
2. No Conflict with MUFG – The potential collaboration must be aligned with the company's current partnership with MUFG. Currently, MUFG also owns 77% of Thailand's Bank of Ayudhya and 20% of VietinBank in Vietnam. The potential new partner either must have no presence in these two countries or a clear discussion and arrangement must be in place to avoid potential conflicts.
3. Large Size – The partnership will not be beneficial if the foreign ASEAN bank is not significant enough in terms of size. This is to ensure that the potential partner has a significant sway in the region, enough capital to benefit Security Bank and a strong branding in other countries.

As per the Forbes list in 2014, below are the largest banks in Southeast Asia. It was mentioned earlier that the largest Philippine bank, BDO, is only 19th in the region. However, the data below shows that BDO is 15th in the region instead. Either way, this is still far off from the other regional rivals. One can imagine the size difference for Philippine banks significantly smaller than BDO such as Security Bank.

| Rank (US\$ billion) | Bank name | Country | Total assets |
|-------------------------------|-------------------------------------|----------------|---------------------|
| 1 | DBS Bank | Singapore | 332.6 |
| 2 | OCBC Bank | Singapore | 302.9 |
| 3 | United Overseas Bank | Singapore | 231.6 |
| 4 | Maybank | Malaysia | 183.1 |
| 5 | CIMB | Malaysia | 118.4 |
| 6 | Public Bank Berhad | Malaysia | 98.9 |
| 7 | Bangkok Bank | Thailand | 83.9 |
| 8 | Krung Thai Bank | Thailand | 83.4 |
| 9 | Siam Commercial Bank | Thailand | 82.1 |
| 10 | Kasikornbank | Thailand | 72.6 |
| 11 | Bank Mandiri | Indonesia | 69 |
| 12 | Bank Rakyat Indonesia | Indonesia | 64.8 |
| 13 | RHB Bank | Malaysia | 62.7 |
| 14 | Hong Leong Bank | Malaysia | 55.7 |
| 15 | BDO Unibank | Philippines | 48.7 |
| 16 | Bank Central Asia | Indonesia | 44.6 |
| 17 | AmBank | Malaysia | 37.2 |
| 18 | Metropolitan Bank and Trust Company | Philippines | 35.9 |
| 19 | Bank Negara Indonesia | Indonesia | 33.6 |
| 20 | Bank of the Philippine Islands | Philippines | 32.4 |

Financial Projections

INCOME STATEMENT (Amounts in Thousands)

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| INTEREST INCOME ON | | | | | | | |
| Loans and receivables (Notes 12 and 31) | 6,964,819.00 | 7,902,346.00 | 9,308,912.00 | 11,022,222.22 | 13,226,666.67 | 16,533,333.33 | 21,493,333.33 |
| Financial investments (Note 7) | 4,249,285.00 | 3,640,554.00 | 5,845,888.00 | 6,820,323.35 | 8,184,388.02 | 10,230,485.02 | 13,299,630.53 |
| Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas (Note 31) | 262,853.00 | 444,935.00 | 126,954.00 | 278,247.33 | 283,378.78 | 229,526.70 | 263,717.60 |
| Deposits with banks and others | 96,167.00 | 343,499.00 | 112,241.00 | 183,969.00 | 213,236.33 | 169,815.44 | 189,006.93 |
| | 11,573,124.00 | 12,331,334.00 | 15,393,995.00 | 18,304,761.90 | 21,907,669.80 | 27,163,160.51 | 35,245,688.40 |
| INTEREST EXPENSE ON | | | | | | | |
| Deposit liabilities (Notes 17 and 31) | 1,910,335.00 | 2,196,046.00 | 2,540,115.00 | 3,149,206.35 | 3,779,047.62 | 4,723,809.52 | 6,140,952.38 |
| Derivative instruments (Note 18) | 725,526.00 | 997,826.00 | 789,275.00 | 908,057.65 | 1,089,669.18 | 1,362,086.48 | 1,770,712.42 |
| Subordinated note, bills payable and securities sold under repurchase agreements and other borrowings (Notes 20 and 21) | 756,232.00 | 656,467.00 | 855,872.00 | 1,771,428.57 | 1,094,589.19 | 1,240,629.92 | 1,368,882.56 |
| Derivatives designated as hedges (Note 19) | 83,434.00 | 96,911.00 | 47,863.00 | 76,069.33 | 73,614.44 | 65,848.93 | 71,844.23 |
| | 3,475,527.00 | 3,947,250.00 | 4,233,125.00 | 5,904,761.90 | 6,036,920.43 | 7,392,374.85 | 9,352,391.60 |
| NET INTEREST INCOME | 8,097,597.00 | 8,384,084.00 | 11,160,870.00 | 12,400,000.00 | 15,870,749.36 | 19,770,785.66 | 25,893,296.80 |
| Gain on disposal of investment securities at amortized cost (Notes 8 and 11) | 3,273,345.00 | 2,212,225.00 | 3,079,540.00 | 2,768,398.67 | 3,322,078.40 | 4,152,598.00 | 5,398,377.40 |
| Service charges, fees and commissions (Note 29) | 1,122,990.00 | 1,379,784.00 | 1,514,891.00 | 2,100,000.00 | 2,520,000.00 | 3,150,000.00 | 4,095,000.00 |
| Trading and securities gain - net (Notes 6 and 8) | 841,603.00 | 32,764.00 | 515,907.00 | 1,134,000.00 | 1,360,800.00 | 1,701,000.00 | 2,211,300.00 |
| Profit from assets sold/exchanged (Notes 15 and 16) | 146,471.00 | 197,292.00 | 149,020.00 | 164,261.00 | 170,191.00 | 161,157.33 | 165,203.11 |
| Rent (Notes 15, 31 and 32) | 92,344.00 | 140,875.00 | 137,664.00 | 123,627.67 | 134,055.56 | 131,782.41 | 129,821.88 |
| Share in net income of a joint venture (Note 13) | 4,508.00 | 18,389.00 | 25,523.00 | 16,140.00 | 20,017.33 | 20,560.11 | 18,905.81 |
| Foreign exchange gain (loss) - net (Note 6) | 128,169.00 | (341,811.00) | (173,926.00) | (129,189.33) | (214,975.44) | (172,696.93) | (172,287.23) |
| Miscellaneous (Note 30) | 319,480.00 | 288,841.00 | 359,965.00 | 322,762.00 | 323,856.00 | 335,527.67 | 327,381.89 |
| TOTAL OPERATING INCOME | 14,026,507.00 | 12,312,443.00 | 16,769,454.00 | 18,900,000.00 | 23,506,772.21 | 29,250,714.25 | 38,066,999.66 |
| OPERATING EXPENSES | | | | | | | |
| Compensation and fringe benefits (Notes 28 and 31) | 1,969,926.00 | 2,316,364.00 | 2,619,103.00 | 3,014,705.88 | 3,526,015.83 | 4,387,607.14 | 5,710,049.95 |
| Taxes and licenses (Note 27) | 852,143.00 | 916,529.00 | 1,011,672.00 | 1,205,882.35 | 1,410,406.33 | 1,755,042.86 | 2,284,019.98 |
| Provision for credit losses (Note 12) | 247,767.00 | 128,118.00 | 790,065.00 | 1,004,901.96 | 1,175,338.61 | 1,462,535.71 | 1,903,349.98 |
| Occupancy costs (Notes 15 and 32) | 501,427.00 | 610,447.00 | 726,379.00 | 803,921.57 | 940,270.89 | 1,170,028.57 | 1,522,679.99 |
| Depreciation and amortization (Note 14) | 360,401.00 | 428,734.00 | 522,625.00 | 602,941.18 | 705,203.17 | 877,521.43 | 1,142,009.99 |
| Amortization of software costs (Note 16) | 43,632.00 | 39,442.00 | 56,647.00 | 46,573.67 | 47,554.22 | 50,258.30 | 48,128.73 |
| Provision for (recovery of) impairment losses (Note 15) | 27,667.00 | (78,844.00) | (35,943.00) | (29,040.00) | (47,942.33) | (37,641.78) | (38,208.04) |
| Miscellaneous (Notes 27 and 30) | 2,244,574.00 | 2,439,990.00 | 2,989,724.00 | 3,600,113.39 | 4,231,219.00 | 5,265,128.57 | 6,852,059.94 |
| TOTAL OPERATING EXPENSES | 6,247,537.00 | 6,800,780.00 | 8,680,272.00 | 10,250,000.00 | 11,988,065.71 | 14,930,480.79 | 19,424,090.52 |
| INCOME BEFORE INCOME TAX | 7,778,970.00 | 5,511,663.00 | 8,089,182.00 | 8,650,000.00 | 11,518,706.49 | 14,320,233.46 | 18,642,909.14 |
| PROVISION FOR INCOME TAX (Note 27) | 233,245.00 | 420,206.00 | 868,940.00 | 950,000.00 | 1,267,057.71 | 1,575,225.68 | 2,050,720.01 |
| NET INCOME | 7,545,725.00 | 5,091,457.00 | 7,220,242.00 | 7,700,000.00 | 10,251,648.78 | 12,745,007.78 | 16,592,189.13 |

BALANCE SHEET (Amounts in Thousands)

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| ASSETS | | | | | | | |
| Cash and Other Cash Items | 3,372,558.00 | 4,428,863.00 | 5,619,751.00 | 5,000,000.00 | 4,010,188.67 | 3,000,134.52 | 3,383,572.75 |
| Due from Bangko Sentral ng Pilipinas (Note 17) | 21,779,290.00 | 45,583,991.00 | 35,843,596.00 | 35,000,000.00 | 28,071,320.71 | 21,000,941.64 | 23,685,009.27 |
| Due from Other Banks (Notes 25 and 31) | 25,406,752.00 | 28,739,381.00 | 39,129,595.00 | 32,000,000.00 | 28,071,320.71 | 21,000,941.64 | 23,685,009.27 |
| Interbank Loans Receivable and Securities Purchased Under Resale Agreements with the Bangko Sentral ng Pilipinas (Note 31) | 17,250,000.00 | 12,120,000.00 | - | - | - | - | - |
| Financial Assets at Fair Value through Profit or Loss (Notes 6 and 9) | 23,199,557.00 | 3,628,310.00 | 10,921,822.00 | 12,583,229.67 | 9,044,453.89 | 10,849,835.19 | 10,825,839.58 |
| Financial Assets at Fair Value through Other Comprehensive Income (Note 10) | 185,023.00 | 144,132.00 | 150,780.00 | 159,978.33 | 151,630.11 | 154,129.48 | 155,245.98 |
| Investment Securities at Amortized Cost (Notes 11, 20 and 26) | 39,887,127.00 | 78,514,441.00 | 101,484,843.00 | 125,073,442.67 | 150,088,131.20 | 180,105,757.44 | 216,126,908.93 |
| Loans and Receivables (Notes 12 and 31) | 119,748,676.00 | 165,241,561.00 | 194,004,086.00 | 240,000,000.00 | 300,000,000.00 | 381,000,000.00 | 495,300,000.00 |
| Investments in Subsidiaries and a Joint Venture (Note 13) | 153,440.00 | 171,829.00 | 197,352.00 | 174,207.00 | 181,129.33 | 184,229.44 | 179,855.26 |
| Property and Equipment (Note 14) | 1,544,696.00 | 1,974,281.00 | 2,423,158.00 | 1,980,711.67 | 2,126,050.22 | 2,176,639.96 | 2,094,467.28 |
| Investment Properties (Note 15) | 1,788,223.00 | 1,836,090.00 | 1,780,886.00 | 1,801,733.00 | 1,806,236.33 | 1,796,285.11 | 1,801,418.15 |
| Deferred Tax Assets (Note 27) | 565,225.00 | 743,542.00 | 1,000,169.00 | 769,645.33 | 837,785.44 | 869,199.93 | 825,543.57 |
| Goodwill (Note 4) | 841,602.00 | 841,602.00 | 841,602.00 | 841,602.00 | 841,602.00 | 841,602.00 | 841,602.00 |
| Intangible Assets (Note 16) | 794,753.00 | 1,264,531.00 | 1,499,910.00 | 1,186,398.00 | 1,316,946.33 | 1,334,418.11 | 1,279,254.15 |
| Other Assets (Note 16) | 2,746,047.00 | 2,309,401.00 | 2,300,784.00 | 2,452,077.33 | 2,354,087.44 | 2,368,982.93 | 2,391,715.90 |
| TOTAL ASSETS | 259,262,969.00 | 347,541,955.00 | 397,198,334.00 | 459,023,025.00 | 528,900,882.41 | 626,683,097.39 | 782,575,442.08 |
| LIABILITIES AND EQUITY | | | | | | | |
| LIABILITIES | | | | | | | |
| Deposit Liabilities (Notes 17 and 31) | | | | | | | |
| Demand | 39,580,042 | 51,938,623 | 63,120,095 | 76,315,789 | 88,474,576 | 110,593,220 | 143,771,186 |
| Savings | 60,132,339 | 110,021,620 | 116,285,207 | 137,368,421 | 165,152,542 | 206,440,678 | 268,372,881 |
| Time | 32,746,563 | 34,046,929 | 57,455,062 | 66,140,351 | 76,677,966 | 95,847,458 | 124,601,695 |
| Long-term Negotiable Certificates of Deposit | 9,934,309 | 9,943,113 | 9,952,430 | 10,175,439 | 17,694,915 | 22,118,644 | 28,754,237 |
| | 142,393,253 | 205,950,285 | 246,812,794 | 290,000,000 | 348,000,000 | 435,000,000 | 565,500,000 |
| Financial Liabilities at Fair Value through Profit or Loss (Notes 6 and 18) | 1,895,072 | 784,776 | 582,867 | 1,087,572 | 818,405 | 829,615 | 911,864 |
| Derivative Liabilities Designated as Hedges (Notes 12 and 19) | 190,819 | 93,343 | 58,288 | 114,150 | 88,594 | 87,011 | 96,585 |
| Bills Payable and Securities Sold Under Repurchase Agreements (Note 20) | 64,978,348 | 90,112,946 | 79,601,534 | 78,230,943 | 82,648,474 | 80,160,317 | 80,346,578 |
| Acceptances Payable (Note 12) | 296,806 | 579,215 | 294,373 | 390,131 | 421,240 | 368,581 | 393,317 |
| Margin Deposits and Cash Letters of Credit | 189,592 | 5,901 | 32,972 | 76,155 | 38,343 | 49,157 | 54,551 |
| Manager's and Certified Checks Outstanding | 1,555,719 | 1,932,113 | 2,156,837 | 1,881,556 | 1,990,169 | 2,009,521 | 1,960,415 |
| Income Tax Payable | 15,360 | 41,135 | 47,014 | 34,503 | 40,884 | 40,800 | 38,729 |
| Notes Payable (Note 10) | 0 | 0 | 0 | 13,964,330 | 0 | 0 | 0 |
| Subordinated Note (Note 21) | 2,993,359 | 0 | 9,933,491 | 9,937,542 | 9,935,517 | 9,936,529 | 9,936,023 |
| Accrued Interest, Taxes and Other Expenses (Note 22) | 1,594,746 | 1,528,354 | 2,139,285 | 1,754,128 | 1,807,256 | 1,900,223 | 1,820,536 |
| Other Liabilities (Note 23) | 5,364,183 | 4,738,904 | 7,581,840 | 5,894,976 | 6,071,907 | 6,516,241 | 6,161,041 |
| TOTAL LIABILITIES | 221,467,257 | 305,766,972 | 349,241,295 | 403,365,986 | 451,860,787 | 536,897,994 | 667,219,639 |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY | | | | | | | |
| Capital stock (Note 25) | 5,023,585 | 5,023,585 | 6,088,594 | 6,088,594 | 6,088,594 | 6,088,594 | 6,088,594 |
| Stock dividends distributable (Note 25) | 0 | 1,004,717 | 0 | 0 | 0 | 0 | 0 |
| Additional paid-in capital | 3,210,200 | 3,210,200 | 3,210,200 | 3,210,200 | 66,788,447 | 66,788,447 | 98,763,614 |
| Surplus reserves (Note 25) | 312,363 | 395,690 | 487,771 | 609,714 | 762,142 | 952,678 | 1,190,847 |
| Surplus (Notes 10 and 25) | 28,266,149 | 31,011,930 | 36,951,697 | 44,638,180 | 2,248,250 | 14,794,788 | 8,171,544 |
| Net unrealized gain on financial assets at fair value through other comprehensive income (Note 10) | 44,530 | 35,420 | 41,930 | 40,627 | 39,326 | 40,627 | 40,193 |
| Net unrealized gain on subsidiaries' financial assets at fair value through other comprehensive income (Note 10) | 40,701 | 24,594 | 24,851 | 30,049 | 26,498 | 27,133 | 27,893 |
| Cumulative foreign currency translation | (41,252.00) | 49,675 | 76,246 | 28,223 | 51,381 | 51,950 | 43,851 |
| | 36,856,276 | 40,755,811 | 46,881,289 | 54,645,586 | 76,004,637 | 88,744,216 | 114,326,537 |
| NON-CONTROLLING INTEREST (Note 13) | 939,436 | 1,019,172 | 1,075,750 | 1,011,453 | 1,035,458 | 1,040,887 | 1,029,266 |
| TOTAL EQUITY | 37,795,712 | 41,774,983 | 47,957,039 | 55,657,039 | 77,040,096 | 89,785,103 | 115,355,803 |
| TOTAL LIABILITIES AND EQUITY | 259,262,969 | 347,541,955 | 397,198,334 | 459,023,025 | 528,900,882 | 626,683,097 | 782,575,442 |

STATEMENTS OF CASH FLOWS (Amounts in Thousands)

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|----------------------|----------------------|------------------------|-----------------------|------------------------|------------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| Net cash provided by (used in) operating activities | (17,038,622.00) | 39,247,612.00 | 12,414,560.00 | 11,541,183.33 | 21,067,785.11 | 15,007,842.81 | 15,872,270.42 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| Net cash provided by (used in) investing activities | 19,297,594.00 | (37,408,160.00) | (20,995,605.00) | (13,035,390.33) | (23,813,051.78) | (19,281,349.04) | (18,709,930.38) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | |
| Net cash provided by (used in) financing activities | 21,659,631.00 | 21,133,256.00 | (1,724,819.00) | (7,098,735.00) | (9,101,903.23) | (10,877,306.08) | 8,589,233.45 |
| Effect of exchange rate changes on cash and cash equivalents | (85,028.00) | 90,927.00 | 26,571.00 | - | - | - | - |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 23,833,575.00 | 23,063,635.00 | (10,279,293.00) | (8,592,942.00) | (11,847,169.90) | (15,150,812.30) | 5,751,573.48 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 43,975,025.00 | 67,808,600.00 | 90,872,235.00 | 80,592,942.00 | 72,000,000.00 | 60,152,830.10 | 45,002,017.80 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 36) | 67,808,600.00 | 90,872,235.00 | 80,592,942.00 | 72,000,000.00 | 60,152,830.10 | 45,002,017.80 | 50,753,591.29 |

In a review of the goals and objectives:

1. Increase Assets, Loans and Deposits

| | 2015 | 2018 | % CHANGE |
|-----------------|----------------|----------------|----------|
| ASSETS | 459,023,025.00 | 782,575,442.08 | 70% |
| LOANS | 240,000,000.00 | 495,300,000.00 | 106% |
| DEPOSITS | 290,000,000 | 565,500,000 | 95% |

Within the projected 3 years, Assets grew by 70%, Loans more than doubled and Deposits by 95%.

2. 30% Income Increase from 2017 to 2018

| | 2015 | 2016 | 2017 | 2018 |
|-------------------|--------------|---------------|---------------|---------------|
| NET INCOME | 7,700,000.00 | 10,251,648.78 | 12,745,007.78 | 16,592,189.13 |
| GROWTH | | 33% | 24% | 30% |

Net income is projected to have consistently high net income growth with the target year-on-year growth for 2017-2018 being feasibly achieved.

3. Maintain high ROE and ROA

| | 2014 | 2018 |
|------------|-------------|-------------|
| ROE | 16.32% | 14.38% |
| ROA | 1.91% | 2.12% |

By 2018, we would expect a slight decrease in ROE. This is most likely due to the increase in equity through partnerships. The 2018 ROE is still high though and the slight decrease will more than be offset by the benefits gained from the alliances. In fact, the 14.38% is way above the 10.82% 2014 industry average. The ROA for 2018 will actually increase and is expected to maintain industry leadership.

Balanced Scorecard

| Area of Objectives | Measure of Target | Time Expectation | Primary Responsibility |
|---|--|------------------------|-----------------------------------|
| Financial | | | |
| 1) Revenue Growth | At least 20% year on year annual growth rate | Annual Monitoring | Accounting and Finance Officers |
| 2) Market Share | Market share ranking increase of 3 spots on Assets, Loans and Deposits after 3 years (but annual monitoring) | Annual Monitoring | Accounting and Finance Officers |
| 3) Operational Efficiency | Leadership (Number 1) of ROE, ROA and Asset Quality industry ranking | Annual Monitoring | Accounting and Finance Officers |
| Customer | | | |
| 1) Customer Recruitment | 50% year on year increase in opening of new accounts and application of new loans and other products (e.g. credit cards, investment funds) | Quarterly Monitoring | Marketing Officers |
| 2) Customer Satisfaction | High (90%) customer satisfaction survey score | Monthly Monitoring | Branch Officers |
| 3) Transactions from Existing Customers | At least one additional service bought by 50% of current customers | Quarterly Monitoring | Branch and Marketing Officers |
| Internal Business Process | | | |
| 1) Innovation | Creation of at least 1 new feature or product every 6 months | Semi-Annual Monitoring | Product Development Officer |
| 2) Faster Processing | Quicker turnaround time of teller transactions and loans by 50% from current averages | Monthly Monitoring | Branch Officers |
| 3) Online Availability | Continuous improvements and addition of new services to the bank's website and app by providing at least one update per quarter | Quarterly Monitoring | IT Officer |
| Learning and Growth | | | |
| 1) Product Knowledge | Continuous training and refresher of the varied products and processes with minimum 10 training hours per staff per quarter | Quarterly Monitoring | Human Resource and Branch Officer |
| 2) Employee Satisfaction | High (90%) employee satisfaction survey score | Annual Monitoring | Human Resource and Branch Officer |
| 3) Employee Assessment | High (90%) score in "Mystery Shopping" provided internally | Semi-Annual Monitoring | Human Resource Officer |

The Financial Objectives have already been mentioned earlier and will be monitored by the Accounting and Finance Officers. Customer objectives include the recruitment of new clients with the help of proper marketing. Another goal is to keep existing customers happy and have them acquire further services from the bank. Internal objectives aim to improve both branch and online services. It also aims to provide new features and services to our customers. Lastly, employee objectives target to keep employee morale high. Furthermore, continuous training and assessment from “mystery shoppers” helps improve the product knowledge and services provided by these employees.

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APPENDIX A - FINANCIAL STATEMENTS OF SECURITY BANK

SECURITY BANK CORPORATION AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

| | Consolidated | Parent Company | | |
|--|------------------------|----------------|--------------|--------------|
| | December 31 | | | |
| | 2014 | 2013 | 2014 | 2013 |
| | (Amounts in Thousands) | | | |
| ASSETS | | | | |
| Cash and Other Cash Items | ₱5,619,751 | ₱4,428,863 | ₱5,307,008 | ₱4,196,521 |
| Due from Bangko Sentral ng Pilipinas (Note 17) | 35,843,596 | 45,583,991 | 34,671,149 | 45,129,263 |
| Due from Other Banks (Notes 25 and 31) | 39,129,595 | 28,739,381 | 39,047,042 | 28,677,516 |
| Interbank Loans Receivable and Securities Purchased Under Resale Agreements with the Bangko Sentral ng Pilipinas (Note 31) | — | 12,120,000 | — | 13,090,000 |
| Financial Assets at Fair Value through Profit or Loss (Notes 6 and 9) | 10,921,822 | 3,628,310 | 10,919,600 | 3,557,776 |
| Financial Assets at Fair Value through Other Comprehensive Income (Note 10) | 150,780 | 144,132 | 70,770 | 64,260 |
| Investment Securities at Amortized Cost (Notes 11, 20 and 26) | 101,484,843 | 78,514,441 | 101,033,144 | 78,059,356 |
| Loans and Receivables (Notes 12 and 31) | 194,004,086 | 165,241,561 | 184,379,421 | 155,989,703 |
| Investments in Subsidiaries and a Joint Venture (Note 13) | 197,352 | 171,829 | 4,683,449 | 4,683,449 |
| Property and Equipment (Note 14) | 2,423,158 | 1,974,281 | 2,155,644 | 1,761,152 |
| Investment Properties (Note 15) | 1,780,886 | 1,836,090 | 323,655 | 374,459 |
| Deferred Tax Assets (Note 27) | 1,000,169 | 743,542 | 947,794 | 665,160 |
| Goodwill (Note 4) | 841,602 | 841,602 | — | — |
| Intangible Assets (Note 16) | 1,499,910 | 1,264,531 | 1,088,058 | 852,519 |
| Other Assets (Note 16) | 2,300,784 | 2,309,401 | 1,721,601 | 1,649,113 |
| TOTAL ASSETS | ₱397,198,334 | ₱347,541,955 | ₱386,348,335 | ₱338,750,247 |
| LIABILITIES AND EQUITY | | | | |
| LIABILITIES | | | | |
| Deposit Liabilities (Notes 17 and 31) | | | | |
| Demand | ₱63,120,095 | ₱51,938,623 | ₱62,031,928 | ₱51,437,053 |
| Savings | 116,285,207 | 110,021,620 | 115,354,682 | 109,624,435 |
| Time | 57,455,062 | 34,046,929 | 51,943,268 | 28,968,727 |
| Long-term Negotiable Certificates of Deposit | 9,952,430 | 9,943,113 | 9,952,430 | 9,943,113 |
| | 246,812,794 | 205,950,285 | 239,282,308 | 199,973,328 |
| Financial Liabilities at Fair Value through Profit or Loss (Notes 6 and 18) | 582,867 | 784,776 | 582,867 | 784,776 |
| Derivative Liabilities Designated as Hedges (Notes 12 and 19) | 58,288 | 93,343 | 58,288 | 93,343 |
| Bills Payable and Securities Sold Under Repurchase Agreements (Note 20) | 79,601,534 | 90,112,946 | 79,483,534 | 90,112,899 |
| Acceptances Payable (Note 12) | 294,373 | 579,215 | 294,373 | 579,215 |
| Margin Deposits and Cash Letters of Credit | 32,972 | 5,901 | 32,972 | 5,901 |
| Manager's and Certified Checks Outstanding | 2,156,837 | 1,932,113 | 2,109,174 | 1,794,652 |
| Income Tax Payable | 47,014 | 41,135 | 309 | — |
| Subordinated Note (Note 21) | 9,933,491 | — | 9,933,491 | — |
| Accrued Interest, Taxes and Other Expenses (Note 22) | 2,139,285 | 1,528,354 | 1,915,507 | 1,357,069 |
| Other Liabilities (Note 23) | 7,581,840 | 4,738,904 | 6,620,142 | 3,920,419 |
| TOTAL LIABILITIES | 349,241,295 | 305,766,972 | 340,312,965 | 298,621,602 |

(Forward)



| | Consolidated | | Parent Company | |
|--|------------------------|--------------|----------------|--------------|
| | December 31 | | | |
| | 2014 | 2013 | 2014 | 2013 |
| | (Amounts in Thousands) | | | |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY | | | | |
| Capital stock (Note 25) | ₱6,088,594 | ₱5,023,585 | ₱6,088,594 | ₱5,023,585 |
| Stock dividends distributable (Note 25) | — | 1,004,717 | — | 1,004,717 |
| Additional paid-in capital | 3,210,200 | 3,210,200 | 3,236,905 | 3,236,905 |
| Surplus reserves (Note 25) | 487,771 | 395,690 | 442,783 | 355,400 |
| Surplus (Notes 10 and 25) | 36,951,697 | 31,011,930 | 36,148,929 | 30,422,996 |
| Net unrealized gain on financial assets at fair value through other comprehensive income (Note 10) | 41,930 | 35,420 | 41,930 | 35,420 |
| Net unrealized gain on subsidiaries’ financial assets at fair value through other comprehensive income (Note 10) | 24,851 | 24,594 | — | — |
| Cumulative foreign currency translation | 76,246 | 49,675 | 76,229 | 49,622 |
| | 46,881,289 | 40,755,811 | 46,035,370 | 40,128,645 |
| NON-CONTROLLING INTEREST (Note 13) | | | | |
| | 1,075,750 | 1,019,172 | — | — |
| TOTAL EQUITY | 47,957,039 | 41,774,983 | 46,035,370 | 40,128,645 |
| TOTAL LIABILITIES AND EQUITY | ₱397,198,334 | ₱347,541,955 | ₱386,348,335 | ₱338,750,247 |

See accompanying Notes to Financial Statements.



SECURITY BANK CORPORATION AND SUBSIDIARIES

STATEMENTS OF INCOME

| | Consolidated | | | Parent Company | | |
|---|---|------------|------------|-------------------|------------|------------|
| | Years Ended December 31 | | | | | |
| | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| | (Amounts in Thousands, Except Earnings per Share) | | | | | |
| INTEREST INCOME ON | | | | | | |
| Loans and receivables (Notes 12 and 31) | ₱9,308,912 | ₱7,902,346 | ₱6,964,819 | ₱8,309,935 | ₱7,195,393 | ₱6,399,315 |
| Financial investments (Note 7) | 5,845,888 | 3,640,554 | 4,249,285 | 5,825,738 | 3,620,120 | 4,229,262 |
| Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas (Note 31) | 126,954 | 444,935 | 262,853 | 115,263 | 433,588 | 229,912 |
| Deposits with banks and others | 112,241 | 343,499 | 96,167 | 81,184 | 299,192 | 80,383 |
| | 15,393,995 | 12,331,334 | 11,573,124 | 14,332,120 | 11,548,293 | 10,938,872 |
| INTEREST EXPENSE ON | | | | | | |
| Deposit liabilities (Notes 17 and 31) | 2,540,115 | 2,196,046 | 1,910,335 | 2,389,528 | 2,071,683 | 1,790,262 |
| Derivative instruments (Note 18) | 789,275 | 997,826 | 725,526 | 789,275 | 997,826 | 725,526 |
| Subordinated note, bills payable and securities sold under repurchase agreements and other borrowings (Notes 20 and 21) | 855,872 | 656,467 | 756,232 | 851,940 | 651,672 | 755,411 |
| Derivatives designated as hedges (Note 19) | 47,863 | 96,911 | 83,434 | 47,863 | 96,911 | 83,434 |
| | 4,233,125 | 3,947,250 | 3,475,527 | 4,078,606 | 3,818,092 | 3,354,633 |
| NET INTEREST INCOME | 11,160,870 | 8,384,084 | 8,097,597 | 10,253,514 | 7,730,201 | 7,584,239 |
| Gain on disposal of investment securities at amortized cost (Notes 8 and 11) | 3,079,540 | 2,212,225 | 3,273,345 | 3,079,540 | 2,212,225 | 3,273,345 |
| Service charges, fees and commissions (Note 29) | 1,514,891 | 1,379,784 | 1,122,990 | 719,012 | 575,843 | 526,031 |
| Trading and securities gain - net (Notes 6 and 8) | 515,907 | 32,764 | 841,603 | 513,988 | 102,149 | 846,526 |
| Profit from assets sold/exchanged (Notes 15 and 16) | 149,020 | 197,292 | 146,471 | 54,867 | 64,365 | 110,384 |
| Rent (Notes 15, 31 and 32) | 137,664 | 140,875 | 92,344 | 35,374 | 41,187 | 42,760 |
| Share in net income of a joint venture (Note 13) | 25,523 | 18,389 | 4,508 | — | — | — |
| Foreign exchange gain (loss) - net (Note 6) | (173,926) | (341,811) | 128,169 | (188,385) | (357,958) | 116,397 |
| Miscellaneous (Note 30) | 359,965 | 288,841 | 319,480 | 384,790 | 256,386 | 278,269 |
| TOTAL OPERATING INCOME | 16,769,454 | 12,312,443 | 14,026,507 | 14,852,700 | 10,624,398 | 12,777,951 |
| OPERATING EXPENSES | | | | | | |
| Compensation and fringe benefits (Notes 28 and 31) | 2,619,103 | 2,316,364 | 1,969,926 | 2,290,710 | 2,010,076 | 1,727,536 |
| Taxes and licenses (Note 27) | 1,011,672 | 916,529 | 852,143 | 894,980 | 820,857 | 765,961 |
| Provision for credit losses (Note 12) | 790,065 | 128,118 | 247,767 | 626,146 | 10,410 | 96,991 |
| Occupancy costs (Notes 15 and 32) | 726,379 | 610,447 | 501,427 | 585,551 | 475,602 | 371,452 |
| Depreciation and amortization (Note 14) | 522,625 | 428,734 | 360,401 | 424,137 | 329,245 | 281,010 |
| Amortization of software costs (Note 16) | 56,647 | 39,442 | 43,632 | 37,005 | 26,947 | 27,689 |
| Provision for (recovery of) impairment losses (Note 15) | (35,943) | (78,844) | 27,667 | (13,309) | (8,658) | 14,095 |
| Miscellaneous (Notes 27 and 30) | 2,989,724 | 2,439,990 | 2,244,574 | 2,284,840 | 1,716,965 | 1,721,922 |
| TOTAL OPERATING EXPENSES | 8,680,272 | 6,800,780 | 6,247,537 | 7,130,060 | 5,381,444 | 5,006,656 |

(Forward)



| | Consolidated | | | Parent Company | | |
|---|---|------------|------------|----------------|------------|------------|
| | Years Ended December 31 | | | | | |
| | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| | (Amounts in Thousands, Except Earnings per Share) | | | | | |
| INCOME BEFORE INCOME TAX | ₱8,089,182 | ₱5,511,663 | ₱7,778,970 | ₱7,722,640 | ₱5,242,954 | ₱7,771,295 |
| PROVISION FOR INCOME TAX (Note 27) | 868,940 | 420,206 | 233,245 | 737,654 | 305,908 | 139,497 |
| NET INCOME | ₱7,220,242 | ₱5,091,457 | ₱7,545,725 | ₱6,984,986 | ₱4,937,046 | ₱7,631,798 |
| ATTRIBUTABLE TO: | | | | | | |
| Equity holders of the Parent Company (Note 35) | ₱7,163,738 | ₱5,011,725 | ₱7,515,877 | | | |
| Non-controlling interest | 56,504 | 79,732 | 29,848 | | | |
| NET INCOME | ₱7,220,242 | ₱5,091,457 | ₱7,545,725 | | | |
| Basic/Diluted Earnings Per Share | | | | | | |
| (Note 35) | ₱11.88 | ₱8.31 | ₱12.47 | | | |

See accompanying Notes to Financial Statements.



SECURITY BANK CORPORATION AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

| | Consolidated | | | Parent Company | | |
|---|-------------------------|------------|------------|----------------|------------|------------|
| | Years Ended December 31 | | | | | |
| | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| | (Amounts in Thousands) | | | | | |
| NET INCOME FOR THE YEAR | ₱7,220,242 | ₱5,091,457 | ₱7,545,725 | ₱6,984,986 | ₱4,937,046 | ₱7,631,798 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | | | |
| Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods: | | | | | | |
| Cumulative translation adjustments | 26,571 | 90,927 | (85,028) | 26,607 | 90,867 | (85,011) |
| Other Comprehensive Income Not to be Reclassified to Profit or Loss in Subsequent Periods: | | | | | | |
| Remeasurement gains (losses) on defined benefit plans (Note 28) | 73,859 | (183,158) | 350,583 | 34,001 | (168,099) | 328,340 |
| Net unrealized gain (loss) on financial assets at fair value through other comprehensive income, net of tax (Note 10) | 6,763 | (15,238) | 52,605 | 6,510 | (9,110) | 22,555 |
| | 80,622 | (198,396) | 403,188 | 40,511 | (177,209) | 350,895 |
| OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR | 107,193 | (107,469) | 318,160 | 67,118 | (86,342) | 265,884 |
| TOTAL COMPREHENSIVE INCOME | ₱7,327,435 | ₱4,983,988 | ₱7,863,885 | ₱7,052,104 | ₱4,850,704 | ₱7,897,682 |
| ATTRIBUTABLE TO: | | | | | | |
| Equity holders of the Parent Company | ₱7,270,857 | ₱4,904,252 | ₱7,834,089 | | | |
| Non-controlling interest | 56,578 | 79,736 | 29,796 | | | |
| | ₱7,327,435 | ₱4,983,988 | ₱7,863,885 | | | |

See accompanying Notes to Financial Statements.



SECURITY BANK CORPORATION AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

| Consolidated | | | | | | | | | | | |
|---|---|--|----------------------------------|----------------------------------|----------------------|---|--|--|--------------------|---------------------------------|--------------------|
| Years Ended December 31, 2014, 2013 and 2012 | | | | | | | | | | | |
| | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | | |
| | Capital Stock (Note 25) | Stock Dividends Distributable (Note 25) | Additional Paid-in Capital | Surplus Reserves (Note 25) | Surplus (Note 25) | Net Unrealized Gain on Financial Assets at Fair Value through Other Comprehensive Income (Note 10) | Net Unrealized Gain on Subsidiaries' Financial Assets at Fair Value through Other Comprehensive Income (Note 10) | Cumulative Foreign Currency Translation | Total | Non- controlling Interest | Total Equity |
| (Amounts in Thousands) | | | | | | | | | | | |
| Balance at January 1, 2014 | ₱5,023,585 | ₱1,004,717 | ₱3,210,200 | ₱395,690 | ₱31,011,930 | ₱35,420 | ₱24,594 | ₱49,675 | ₱40,755,811 | ₱1,019,172 | ₱41,774,983 |
| Distribution of stock dividends | 1,004,726 | (1,004,717) | — | — | (9) | — | — | — | — | — | — |
| Issuance of preferred shares | 60,283 | — | — | — | — | — | — | — | 60,283 | — | 60,283 |
| Total comprehensive income for the year | — | — | — | — | 7,237,519 | 6,510 | 257 | 26,571 | 7,270,857 | 56,578 | 7,327,435 |
| Transfers to surplus reserves | — | — | — | 92,081 | (92,081) | — | — | — | — | — | — |
| Declaration of cash dividends | — | — | — | — | (1,205,662) | — | — | — | (1,205,662) | — | (1,205,662) |
| Balance at December 31, 2014 | ₱6,088,594 | ₱— | ₱3,210,200 | ₱487,771 | ₱36,951,697 | ₱41,930 | ₱24,851 | ₱76,246 | ₱46,881,289 | ₱1,075,750 | ₱47,957,039 |
| Balance at January 1, 2013 | ₱5,023,585 | ₱— | ₱3,210,200 | ₱312,363 | ₱28,266,149 | ₱44,530 | ₱40,701 | (₱41,252) | ₱36,856,276 | ₱939,436 | ₱37,795,712 |
| Total comprehensive income for the year | — | — | — | — | 4,828,552 | (9,110) | (6,117) | 90,927 | 4,904,252 | 79,736 | 4,983,988 |
| Sale of financial assets at fair value through other comprehensive income | — | — | — | — | 9,990 | — | (9,990) | — | — | — | — |
| Transfers to surplus reserves | — | — | — | 83,327 | (83,327) | — | — | — | — | — | — |
| Declaration of stock dividends | — | 1,004,717 | — | — | (1,004,717) | — | — | — | — | — | — |
| Declaration of cash dividends | — | — | — | — | (1,004,717) | — | — | — | (1,004,717) | — | (1,004,717) |
| Balance at December 31, 2013 | ₱5,023,585 | ₱1,004,717 | ₱3,210,200 | ₱395,690 | ₱31,011,930 | ₱35,420 | ₱24,594 | ₱49,675 | ₱40,755,811 | ₱1,019,172 | ₱41,774,983 |
| Balance at January 1, 2012 | ₱5,023,585 | ₱— | ₱3,236,905 | ₱278,555 | ₱21,438,135 | ₱21,975 | ₱10,688 | ₱43,766 | ₱30,053,609 | ₱901,809 | ₱30,955,418 |
| Total comprehensive income (loss) for the year | — | — | — | — | 7,866,539 | 22,555 | 30,013 | (85,018) | 7,834,089 | 29,796 | 7,863,885 |
| Transfers to surplus reserves | — | — | — | 33,808 | (33,808) | — | — | — | — | — | — |
| Acquisition of a subsidiary | — | — | — | — | — | — | — | — | — | 17,080 | 17,080 |
| Effect of capital infusion and purchase of non-controlling interest | — | — | (26,705) | — | — | — | — | — | (26,705) | (9,249) | (35,954) |
| Declaration of cash dividends | — | — | — | — | (1,004,717) | — | — | — | (1,004,717) | — | (1,004,717) |
| Balance at December 31, 2012 | ₱5,023,585 | ₱— | ₱3,210,200 | ₱312,363 | ₱28,266,149 | ₱44,530 | ₱40,701 | (₱41,252) | ₱36,856,276 | ₱939,436 | ₱37,795,712 |

See accompanying Notes to Financial Statements.



Parent Company
Years Ended December 31, 2014, 2013 and 2012

| | Capital Stock (Note 25) | Stock Dividends Distributable (Note 25) | Additional Paid-in Capital | Surplus Reserves (Note 25) | Surplus (Note 25) | Net Unrealized Gain on Financial Assets at Fair Value through Other Comprehensive Income (Note 10) | Cumulative Foreign Currency Translation | Total Equity |
|---|----------------------------|---|-------------------------------|----------------------------------|----------------------|---|--|--------------------|
| (Amounts in Thousands) | | | | | | | | |
| Balance at January 1, 2014 | ₱5,023,585 | ₱1,004,717 | ₱3,236,905 | ₱355,400 | ₱30,422,996 | ₱35,420 | ₱49,622 | ₱40,128,645 |
| Distribution of stock dividends | 1,004,726 | (1,004,717) | — | — | (9) | — | — | — |
| Issuance of preferred shares | 60,283 | — | — | — | — | — | — | 60,283 |
| Total comprehensive income for the year | — | — | — | — | 7,018,987 | 6,510 | 26,607 | 7,052,104 |
| Transfers to surplus reserves | — | — | — | 87,383 | (87,383) | — | — | — |
| Declaration of cash dividends | — | — | — | — | (1,205,662) | — | — | (1,205,662) |
| Balance at December 31, 2014 | ₱6,088,594 | ₱— | ₱3,236,905 | ₱442,783 | ₱36,148,929 | ₱41,930 | ₱76,229 | ₱46,035,370 |
| Balance at January 1, 2013 | ₱5,023,585 | ₱— | ₱3,236,905 | ₱277,300 | ₱27,741,583 | ₱44,530 | (₱41,245) | ₱36,282,658 |
| Total comprehensive income for the year | — | — | — | — | 4,768,947 | (9,110) | 90,867 | 4,850,704 |
| Transfers to surplus reserves | — | — | — | 78,100 | (78,100) | — | — | — |
| Declaration of stock dividends | — | 1,004,717 | — | — | (1,004,717) | — | — | — |
| Declaration of cash dividends | — | — | — | — | (1,004,717) | — | — | (1,004,717) |
| Balance at December 31, 2013 | ₱5,023,585 | ₱1,004,717 | ₱3,236,905 | ₱355,400 | ₱30,422,996 | ₱35,420 | ₱49,622 | ₱40,128,645 |
| Balance at January 1, 2012 | ₱5,023,585 | ₱— | ₱3,236,905 | ₱264,100 | ₱20,799,362 | ₱21,975 | ₱43,766 | ₱29,389,693 |
| Total comprehensive income for the year | — | — | — | — | 7,960,138 | 22,555 | (85,011) | 7,897,682 |
| Transfers to surplus reserves | — | — | — | 13,200 | (13,200) | — | — | — |
| Declaration of cash dividends | — | — | — | — | (1,004,717) | — | — | (1,004,717) |
| Balance at December 31, 2012 | ₱5,023,585 | ₱— | ₱3,236,905 | ₱277,300 | ₱ 27,741,583 | ₱44,530 | (₱41,245) | ₱36,282,658 |

See accompanying Notes to Financial Statements.



SECURITY BANK CORPORATION AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

| | Consolidated | | | Parent Company | | |
|---|-------------------------|--------------|--------------|---------------------|--------------|--------------|
| | Years Ended December 31 | | | | | |
| | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| | (Amounts in Thousands) | | | | | |
| CASH FLOWS FROM | | | | | | |
| OPERATING ACTIVITIES | | | | | | |
| Income before income tax | ₱8,089,182 | ₱5,511,663 | ₱7,778,970 | ₱7,722,640 | ₱5,242,954 | ₱7,771,295 |
| Adjustments for: | | | | | | |
| Gain on sale of investment securities at amortized cost (Notes 8 and 11) | (3,079,540) | (2,212,225) | (3,273,345) | (3,079,540) | (2,212,225) | (3,273,345) |
| Unrealized market valuation loss on financial instruments at fair value through profit or loss | 247,345 | 501,927 | 65,904 | 247,345 | 450,848 | 65,778 |
| Depreciation and amortization (Note 14) | 522,625 | 428,734 | 360,401 | 424,137 | 329,245 | 281,010 |
| Profit from assets sold/exchanged (Notes 14, 15 and 16) | (149,020) | (197,292) | (146,471) | (54,867) | (64,365) | (110,384) |
| Provision for credit losses (Note 12) | 790,065 | 128,118 | 247,767 | 626,146 | 10,410 | 96,991 |
| Provision for (recovery of) impairment losses (Note 16) | (35,943) | (78,844) | 27,667 | (13,309) | (8,658) | 14,095 |
| Amortization of software costs (Note 16) | 56,647 | 39,442 | 43,632 | 37,005 | 26,947 | 27,689 |
| Amortization of transaction cost on Long-term Negotiable Certificates of Deposits (LTNCD) (Note 17) | 9,317 | 8,804 | 5,302 | 9,317 | 8,804 | 5,301 |
| Amortization of transaction cost on subordinated note (Note 21) | 2,483 | 6,641 | 6,484 | 2,483 | 6,641 | 6,484 |
| Share in net income of a joint venture (Note 13) | (25,523) | (18,389) | (4,508) | — | — | — |
| Changes in operating assets and liabilities: | | | | | | |
| Decrease (increase) in the amounts of: | | | | | | |
| Financial assets at FVTPL | (7,777,822) | 17,861,548 | (6,191,741) | (7,846,134) | 17,974,617 | (6,186,626) |
| Loans and receivables (Note 36) | (29,584,803) | (45,817,509) | (25,873,736) | (29,024,618) | (40,170,695) | (25,517,177) |
| Other assets | 195,991 | 301,165 | 155,075 | 3,188 | 131,452 | 200,666 |
| Increase (decrease) in the amounts of: | | | | | | |
| Deposit liabilities | 40,853,192 | 63,565,836 | 8,907,269 | 39,299,663 | 62,560,893 | 7,460,898 |
| Acceptances payable | (284,842) | 282,409 | 117,128 | (284,842) | 282,409 | 117,128 |
| Margin deposits and cash letters of credit | 27,071 | (183,691) | 130,397 | 27,071 | (183,691) | 130,397 |
| Manager's and certified checks outstanding | 224,724 | 376,394 | 429,853 | 314,522 | 280,956 | 407,820 |
| Accrued interest, taxes and other expenses | 610,931 | (66,392) | (366,092) | 558,438 | (99,962) | (408,542) |
| Other liabilities | 2,842,049 | (628,655) | 1,558,413 | 2,698,758 | (585,365) | 1,145,315 |
| Net cash generated from (used in) operations | 13,534,129 | 39,809,684 | (16,021,631) | 11,667,403 | 43,981,215 | (17,765,207) |
| Income taxes paid | (1,119,569) | (562,072) | (1,016,991) | (1,019,978) | (470,161) | (935,272) |
| Net cash provided by (used in) operating activities | 12,414,560 | 39,247,612 | (17,038,622) | 10,647,425 | 43,511,054 | (18,700,479) |

(Forward)



| | Consolidated | | | Parent Company | | |
|--|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Years Ended December 31 | | | | | |
| | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| | (Amounts in Thousands) | | | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Acquisitions of: | | | | | | |
| Investment securities at amortized cost | (P124,463,389) | (P71,680,042) | (P186,484) | (P124,466,774) | (P71,743,997) | (P186,484) |
| Property and equipment (Note 14) | (1,019,436) | (1,036,850) | (582,955) | (888,283) | (753,851) | (524,407) |
| Software costs (Note 16) | (114,378) | (29,937) | (58,919) | (94,011) | (23,872) | (13,664) |
| Branch licenses (Note 16) | (220,000) | (480,000) | (300,000) | (220,000) | (480,000) | (300,000) |
| Acquisition of a subsidiary | — | — | — | — | — | (1,301,675) |
| Acquisition of a subsidiary, net of cash acquired | — | — | (273,950) | — | — | — |
| Infusion of capital to a subsidiary | — | — | — | — | — | (1,238,847) |
| Proceeds from: | | | | | | |
| Sale/maturities of investment securities at amortized cost | 104,572,527 | 35,274,329 | 20,432,683 | 104,572,527 | 35,274,329 | 20,432,683 |
| Disposal of investment properties | 147,902 | 250,792 | 193,923 | 123,222 | 144,265 | 150,273 |
| Disposal of property and equipment | 101,169 | 277,874 | 73,296 | 73,959 | 32,608 | 66,795 |
| Sale of financial assets at fair value through other comprehensive income | — | 15,674 | — | — | — | — |
| Net cash provided by (used in) investing activities | (20,995,605) | (37,408,160) | 19,297,594 | (20,899,360) | (37,550,518) | 17,084,674 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| Proceeds from bills payable and securities sold under repurchase agreements | | | | | | |
| | 4,904,119,261 | 3,111,469,036 | 7,019,501,584 | 4,903,041,268 | 3,110,722,849 | 7,017,764,575 |
| Settlements of bills payable and securities sold under repurchase agreements | | | | | | |
| | (4,914,630,673) | (3,086,334,438) | (7,006,731,081) | (4,913,670,633) | (3,085,439,064) | (7,004,917,432) |
| Proceeds from issuance of LTNCD (Note 17) | | | | | | |
| | — | — | 9,929,008 | — | — | 9,929,008 |
| Proceeds from issuance of subordinated note (Note 21) | | | | | | |
| | 9,931,008 | — | — | 9,931,008 | — | — |
| Settlement of subordinated note | | | | | | |
| | — | (3,000,000) | — | — | (3,000,000) | — |
| Cash paid for the acquisition of non-controlling interest | | | | | | |
| | — | — | (35,954) | — | — | (35,954) |
| Proceeds from issuance of preferred shares (Note 25) | | | | | | |
| | 60,283 | — | — | 60,283 | — | — |
| Cash dividends paid (Note 25) | (1,204,698) | (1,001,342) | (1,003,926) | (1,204,698) | (1,001,342) | (1,003,926) |
| Net cash provided by (used in) financing activities | (1,724,819) | 21,133,256 | 21,659,631 | (1,842,772) | 21,282,443 | 21,736,271 |
| Effect of exchange rate changes on cash and cash equivalents | 26,571 | 90,927 | (85,028) | 26,606 | 90,867 | (85,011) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | | | |
| | (10,279,293) | 23,063,635 | 23,833,575 | (12,068,101) | 27,333,846 | 20,035,455 |

(Forward)



| | Consolidated | | | Parent Company | | |
|--|-------------------------|-------------|-------------|--------------------|-------------|-------------|
| | Years Ended December 31 | | | | | |
| | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| | (Amounts in Thousands) | | | | | |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | | | | | |
| Cash and other cash items | ₱4,428,863 | ₱3,372,558 | ₱2,315,588 | ₱4,196,521 | ₱3,184,189 | ₱2,315,359 |
| Due from Bangko Sentral ng Pilipinas | 45,583,991 | 21,779,290 | 15,936,205 | 45,129,263 | 18,094,655 | 15,936,205 |
| Due from other banks | 28,739,381 | 25,406,752 | 20,573,232 | 28,677,516 | 25,230,610 | 20,322,435 |
| Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas | 12,120,000 | 17,250,000 | 5,150,000 | 13,090,000 | 17,250,000 | 5,150,000 |
| | 90,872,235 | 67,808,600 | 43,975,025 | 91,093,300 | 63,759,454 | 43,723,999 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 36) | | | | | | |
| Cash and other cash items | 5,619,751 | 4,428,863 | 3,372,558 | 5,307,008 | 4,196,521 | 3,184,189 |
| Due from Bangko Sentral ng Pilipinas | 35,843,596 | 45,583,991 | 21,779,290 | 34,671,149 | 45,129,263 | 18,094,655 |
| Due from other banks | 39,129,595 | 28,739,381 | 25,406,752 | 39,047,042 | 28,677,516 | 25,230,610 |
| Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas | — | 12,120,000 | 17,250,000 | — | 13,090,000 | 17,250,000 |
| | ₱80,592,942 | ₱90,872,235 | ₱67,808,600 | ₱79,025,199 | ₱91,093,300 | ₱63,759,454 |
| OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS | | | | | | |
| Interest received | ₱14,399,926 | ₱11,616,745 | ₱12,038,467 | ₱13,338,188 | ₱10,867,786 | ₱11,439,302 |
| Interest paid | 3,858,993 | 3,942,287 | 3,424,674 | 3,709,417 | 3,805,612 | 3,322,925 |
| Dividends received | 16,557 | 19,045 | 4,938 | 14,924 | 17,501 | 3,474 |

See accompanying Notes to Financial Statements.



7. Interest Income on Financial Investments

This account consists of interest income on:

| | Consolidated | | | Parent Company | | |
|---|-------------------|------------|------------|-------------------|------------|------------|
| | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| Financial assets at FVTPL (Note 9): | | | | | | |
| Derivatives | ₱812,260 | ₱1,082,187 | ₱832,176 | ₱812,260 | ₱1,082,187 | ₱832,176 |
| Held-for-trading | 232,862 | 244,778 | 587,659 | 232,862 | 244,778 | 586,706 |
| Others | – | 52,911 | 263,288 | – | 52,911 | 263,288 |
| | 1,045,122 | 1,379,876 | 1,683,123 | 1,045,122 | 1,379,876 | 1,682,170 |
| Investment securities at amortized cost (Note 11) | 4,800,766 | 2,260,678 | 2,566,162 | 4,780,616 | 2,240,244 | 2,547,092 |
| | ₱5,845,888 | ₱3,640,554 | ₱4,249,285 | ₱5,825,738 | ₱3,620,120 | ₱4,229,262 |

Peso-denominated HFT investments earn annual interest rates ranging from 1.63% to 14.38% in 2014 and 2013, and from 4.63% to 18.25% in 2012, while foreign currency-denominated HFT investments earn annual interest rates ranging from 4.00% to 10.63%, from 2.75% to 9.88%, and from 0.63% to 11.88% in 2014, 2013 and 2012, respectively.

Financial assets at FVTPL - Others pertain to investments that are not held for trading but do not qualify for amortized cost classification in the case of debt securities, and are not designated as FVTOCI in the case of equity securities (see Note 9). In 2013, this asset pertains to investments in equity securities. In 2012, this includes a peso-denominated loan receivable that bears fixed nominal annual interest rate of 15.70% minus 3-month PDST-F, a foreign currency denominated Credit-Linked Note (CLN) that bears interest based on 3-month LIBOR plus an agreed spread of 3.00% per annum and a contingently prepayable foreign-currency denominated loan receivable that bears floating interest rate based on 6-month LIBOR plus agreed spread of 2.40%. These all matured in 2013.

Peso-denominated investment securities at amortized cost earn annual interest rates ranging from 1.63% to 14.38% in 2014, 5.93% to 12.38% in 2013, and 5.88% to 12.38% in 2012, while foreign currency-denominated investment securities at amortized cost earn annual interest rates ranging from 4.00% to 10.63% in 2014 and 4.00% to 9.50% in 2013 and 2012.

8. Trading and Securities Gain

Net gains from trading/disposal of investment securities follow:

| | Consolidated | | | Parent Company | | |
|---|-------------------|------------|------------|-------------------|------------|------------|
| | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| Investment securities at amortized cost (Note 11) | ₱3,079,540 | ₱2,212,225 | ₱3,273,345 | ₱3,079,540 | ₱2,212,225 | ₱3,273,345 |
| Financial instruments at FVTPL: | | | | | | |
| Held-for-trading investments (Note 9) | ₱757,375 | (₱191,628) | ₱808,765 | ₱755,457 | (₱122,244) | ₱813,688 |
| Derivatives (Note 6) | (241,468) | 268,929 | 95,451 | (241,469) | 268,929 | 95,451 |
| Financial assets at FVTPL - others (Note 9) | – | (44,537) | (62,613) | – | (44,536) | (62,613) |
| | ₱515,907 | ₱32,764 | ₱841,603 | ₱513,988 | ₱102,149 | ₱846,526 |

The Parent Company disposed certain dollar-denominated bonds held under the HTC business model with carrying amount of USD1.5 billion (₱65.0 billion) from June to September 2014. The disposal resulted to a gain of USD69.8 million (₱3.1 billion) (see Note 11).



In 2013, The Parent Company disposed certain dollar-denominated bonds held under the HTC business model with carrying amount of USD900.4 million (₱39.9 billion). The disposal resulted in a gain of USD49.5 million (₱2.2 billion) (see Note 11).

In May to June 2012, to fund its growing lending requirements, the Parent Company disposed of a substantial portion of its portfolio of Peso-denominated government securities held under the HTC business model with an aggregate face amount of ₱17.0 billion. The disposals resulted to a gain of ₱3.3 billion and constitute a change in its business model for the portfolio (i.e., from HTC to realization of fair value changes). As a result of the change in its business model, the Parent Company reclassified at the beginning of the third quarter in 2012 the remaining securities in the portfolio with carrying amount and fair value of ₱0.4 million as of reclassification date to financial assets at FVTPL. In 2013, the Parent Company reintroduced the HTC business model for its peso-denominated government securities (see Note 11).

9. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

| | Consolidated | | Parent Company | |
|-----------------------------|--------------|------------|----------------|------------|
| | 2014 | 2013 | 2014 | 2013 |
| Held-for-trading: | | | | |
| Government securities | ₱9,420,510 | ₱624,673 | ₱9,420,510 | ₱624,673 |
| Equity securities | 649,108 | 791,207 | 646,909 | 720,696 |
| Private bonds | 81,377 | 946,003 | 81,377 | 946,003 |
| | 10,150,995 | 2,361,883 | 10,148,796 | 2,291,372 |
| Derivative assets (Note 6): | | | | |
| Interest rate swaps | 443,299 | 705,631 | 443,299 | 705,631 |
| Currency forwards | 308,036 | 429,022 | 308,036 | 429,022 |
| Options | 4,329 | — | 4,329 | — |
| Cross-currency swaps | 46 | — | 46 | — |
| Warrants | — | 116,657 | — | 116,657 |
| | 755,710 | 1,251,310 | 755,710 | 1,251,310 |
| Others | 15,117 | 15,117 | 15,094 | 15,094 |
| | ₱10,921,822 | ₱3,628,310 | ₱10,919,600 | ₱3,557,776 |

As of December 31, 2014 and 2013, 'Others' pertain to the Parent Company's and SBCIC's equity investments with aggregate carrying amount of ₱15.1 million which are not designated as at FVTOCI. These are financial assets not held for trading purposes, but do not qualify for amortized cost classification.

As of December 31, 2014 and 2013, Financial assets at FVTPL include net unrealized gain of ₱0.7 billion and ₱1.0 billion, respectively, for the Group and the Parent Company.

Fair value gains or losses on financial assets at FVTPL (other than currency forwards) are included in 'Trading and securities gain - net' (see Note 8) in the statements of income. Fair value gains or losses on currency forwards are included in 'Foreign exchange gain (loss) - net' in the statements of income (see Note 6).



facility of BSP, resulted in a positive gap position. In addition, the growth in core CASA accorded the Parent Company additional long-term stable funding. With consideration to VaR and EaR, management deemed it prudent and necessary to reintroduce the HTC Peso-denominated government securities business model. The HTC Peso-denominated government securities portfolio will provide the Parent Company an alternative earning assets base apart from loans that is aligned with the funding growth and that optimizes related returns.

As discussed in Note 20, certain investment securities were pledged with foreign and local banks as collateral for SSURA. In addition, as discussed in Note 26, as of December 31, 2014 and 2013, government securities included under 'Investment securities at amortized cost' with a total face value of ₱425.2 million and ₱672.2 million, respectively, were deposited with the BSP in compliance with the requirements of the General Banking Law relative to the Parent Company's trust functions.

12. Loans and Receivables

This account consists of:

| | Consolidated | | Parent Company | |
|--|---------------------|--------------|---------------------|--------------|
| | 2014 | 2013 | 2014 | 2013 |
| Receivable from customers: | | | | |
| Corporate lending | ₱172,390,956 | ₱151,110,353 | ₱171,729,331 | ₱149,160,738 |
| Consumer lending | 5,931,431 | 3,284,131 | 1,774,972 | — |
| Small business lending | 3,768,441 | 3,281,468 | 3,750,823 | 3,281,468 |
| Residential mortgages | 8,201,136 | 3,407,542 | 3,809,763 | — |
| Others | 565,680 | 1,001,733 | 565,680 | 1,001,733 |
| | 190,857,644 | 162,085,227 | 181,630,569 | 153,443,939 |
| Less unearned discounts and deferred credits | 180,112 | 198,874 | 127,711 | 150,878 |
| | 190,677,532 | 161,886,353 | 181,502,858 | 153,293,061 |
| Accrued interest receivable | 3,626,015 | 2,631,220 | 3,555,657 | 2,561,726 |
| Unquoted debt instruments | 2,219,172 | 2,203,653 | 2,219,067 | 2,203,514 |
| Accounts receivable (Note 16) | 195,234 | 618,173 | 67,997 | 109,363 |
| Sales contracts receivable (Note 16) | 465,720 | 430,731 | 107,547 | 112,760 |
| | 197,183,673 | 167,770,130 | 187,453,126 | 158,280,424 |
| Less allowance for credit losses | 3,179,587 | 2,528,569 | 3,073,705 | 2,290,721 |
| | ₱194,004,086 | ₱165,241,561 | ₱184,379,421 | ₱155,989,703 |

As discussed in Note 11, on various dates in 2014, SBS sold, on a without recourse basis, certain corporate and small business loans to the Parent Company in line with the proposed alignment of SBS with the overall strategic direction of the Parent Company. These loans were sold at their carrying values amounting to ₱2.8 billion, which approximate the fair value of the loans on each date of sale.

On various dates in 2013, the Parent Company sold, on a without recourse basis, its entire portfolio of personal loans, home loans/residential mortgages and auto loans to consolidate all consumer financing activities in SBS. The consumer loans were sold at their carrying values amounting to ₱1.8 billion, respectively, which approximate the fair value of the loans on each date of sale.



30. Miscellaneous Income and Expenses

Miscellaneous income consists of:

| | Consolidated | | | Parent Company | | |
|--------------------------------|-----------------|----------|----------|-----------------|----------|----------|
| | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| Income from trust operations | ₱170,919 | ₱180,902 | ₱131,512 | ₱170,919 | ₱180,902 | ₱131,512 |
| Recovery on charged-off assets | 167,120 | 82,376 | 169,293 | 135,201 | 52,119 | 134,102 |
| Dividend income (Note 10) | 16,557 | 19,045 | 4,938 | 69,924 | 17,501 | 3,474 |
| Miscellaneous (Note 15) | 5,369 | 6,518 | 13,737 | 8,746 | 5,864 | 9,181 |
| | ₱359,965 | ₱288,841 | ₱319,480 | ₱384,790 | ₱256,386 | ₱278,269 |

Miscellaneous expenses consists of:

| | Consolidated | | | Parent Company | | |
|--|-------------------|------------|------------|-------------------|------------|------------|
| | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| Entertainment, amusement and recreation (Note 27) | ₱475,529 | ₱469,213 | ₱392,341 | ₱450,198 | ₱443,568 | ₱373,682 |
| Insurance expenses | 446,650 | 336,371 | 267,856 | 425,073 | 319,188 | 252,724 |
| Security, clerical, messengerial and janitorial services | 397,564 | 328,666 | 259,238 | 333,898 | 262,259 | 206,020 |
| Management and other professional fees | 383,908 | 288,645 | 300,008 | 175,561 | 92,173 | 163,335 |
| Advertising and publicity | 360,816 | 141,656 | 210,485 | 308,102 | 98,216 | 174,993 |
| Postage, telephone and cables and telegrams | 151,352 | 143,865 | 147,388 | 84,992 | 73,951 | 68,198 |
| Banking fees | 96,643 | 89,285 | 66,102 | 94,254 | 87,401 | 64,614 |
| Stationery and supplies used | 64,546 | 40,994 | 49,682 | 52,097 | 26,853 | 32,835 |
| Donations and charitable contributions | 61,525 | 63,422 | 120,917 | 7,522 | 3,000 | 74,000 |
| Brokerage fees | 53,808 | 62,857 | 78,357 | 53,808 | 62,857 | 78,357 |
| Fines, penalties and other charges | 45,627 | 27,849 | 13,262 | 40,834 | 25,151 | 12,943 |
| Litigation/assets acquired expenses | 38,313 | 48,322 | 60,836 | 24,496 | 36,810 | 44,145 |
| Miscellaneous | 413,443 | 398,845 | 278,102 | 234,005 | 185,538 | 176,076 |
| | ₱2,989,724 | ₱2,439,990 | ₱2,244,574 | ₱2,284,840 | ₱1,716,965 | ₱1,721,922 |

Miscellaneous expense includes travelling expenses amounting to ₱98.5 million, ₱91.5 million, and ₱62.0 million for the Group and ₱86.0 million, ₱82.5 million, ₱54.6 million for the Parent Company for the years ended December 31, 2014, 2013 and 2012, respectively. It also includes fuel and lubricants amounting to ₱40.2 million, ₱38.7 million and ₱34.9 million for the Group and ₱28.6 million, ₱25.2 million and ₱23.7 million for the Parent Company for the years ended December 31, 2014, 2013 and 2012, respectively.

31. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members,
- subsidiaries, joint ventures and their respective subsidiaries, and
- post-employment benefit plans for the benefit of the Group's employees.



SECURITY BANK CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2015
(With Comparative Audited Figures as of December 31, 2014)

| | September 30, 2015 (Unaudited) | December 31, 2014 (Audited) |
|--|--------------------------------------|-----------------------------------|
| (Amounts in Thousands) | | |
| ASSETS | | |
| Cash and Other Cash Items | P4,477,004 | P5,619,751 |
| Due from Bangko Sentral ng Pilipinas | 34,688,390 | 35,843,596 |
| Due from Other Banks | 31,466,204 | 39,129,595 |
| Financial Assets at Fair Value through Profit or Loss (Note 7) | 6,191,109 | 10,921,822 |
| Financial Assets at Fair Value through Other Comprehensive Income | 155,893 | 150,780 |
| Investment Securities at Amortized Cost (Note 8) | 176,473,996 | 101,484,843 |
| Loans and Receivables | 216,914,977 | 194,004,086 |
| Investment in a Joint Venture | 212,102 | 197,352 |
| Property and Equipment | 2,590,216 | 2,423,158 |
| Investment Properties | 1,797,686 | 1,780,886 |
| Deferred Tax Assets | 977,740 | 1,000,169 |
| Goodwill (Note 3) | 841,602 | 841,602 |
| Intangible Assets | 1,538,078 | 1,499,910 |
| Other Assets | 3,854,391 | 2,300,784 |
| TOTAL ASSETS | P482,179,388 | P397,198,334 |
| LIABILITIES AND EQUITY | | |
| LIABILITIES | | |
| Deposit Liabilities | | |
| Demand | P72,165,857 | P63,120,095 |
| Savings | 127,920,998 | 116,285,207 |
| Time | 65,023,142 | 57,455,062 |
| Long-term Negotiable Certificates of Deposit (Note 9) | 9,959,752 | 9,952,430 |
| | 275,069,749 | 246,812,794 |
| Financial Liabilities at Fair Value through Profit or Loss | 1,378,524 | 582,867 |
| Derivative Liabilities Designated as Hedges | 22,775 | 58,288 |
| Bills Payable and Securities Sold Under Repurchase Agreements | 116,355,692 | 79,601,534 |
| Acceptances Payable | 319,094 | 294,373 |
| Margin Deposits and Cash Letters of Credit | 165,860 | 32,972 |
| Manager's and Certified Checks Outstanding | 3,284,502 | 2,156,837 |
| Income Tax Payable | 63,237 | 47,014 |
| Notes Payable (Note 10) | 13,964,330 | — |
| Subordinated Note (Note 11) | 9,937,542 | 9,933,491 |
| Accrued Interest, Taxes and Other Expenses | 2,357,476 | 2,139,285 |
| Other Liabilities | 5,794,902 | 7,581,840 |
| TOTAL LIABILITIES | 428,713,683 | 349,241,295 |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY | | |
| Capital stock (Note 12) | 6,088,594 | 6,088,594 |
| Additional paid-in capital (Note 12) | 3,210,200 | 3,210,200 |
| Surplus reserves | 469,972 | 487,771 |
| Surplus | 42,431,420 | 36,951,697 |
| Net unrealized gain on financial assets at fair value through other comprehensive income | 43,210 | 41,930 |
| Net unrealized gain on subsidiaries' financial assets at fair value through other comprehensive income | 28,443 | 24,851 |
| Cumulative foreign currency translation | 98,217 | 76,246 |
| | 52,370,056 | 46,881,289 |
| NON-CONTROLLING INTEREST | 1,095,649 | 1,075,750 |
| TOTAL EQUITY | 53,465,705 | 47,957,039 |
| TOTAL LIABILITIES AND EQUITY | P482,179,388 | P397,198,334 |

See accompanying Notes to Unaudited Interim Condensed Financial Statements

SECURITY BANK CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM STATEMENTS OF INCOME

| | Quarter Ended September 30 | | Nine Months Ended September 30 | |
|--|----------------------------|-------------|--------------------------------|-------------|
| | 2015 | 2014 | 2015 | 2014 |
| | (Amounts in Thousands) | | | |
| INTEREST INCOME ON | | | | |
| Loans and receivables | P2,838,167 | P2,375,319 | P8,026,384 | P6,792,562 |
| Financial investments | 1,933,273 | 1,318,425 | 5,295,123 | 4,486,235 |
| Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas | 1,867 | 50,188 | 7,659 | 116,970 |
| Deposits with banks and others | 14,680 | 21,314 | 41,296 | 71,950 |
| | 4,787,987 | 3,765,246 | 13,370,462 | 11,467,717 |
| INTEREST EXPENSE ON | | | | |
| Deposit liabilities (Note 9) | 818,746 | 642,954 | 2,342,144 | 1,799,554 |
| Derivative instruments | 233,947 | 200,022 | 682,274 | 560,738 |
| Subordinated note, notes payable, bills payable and securities sold under repurchase agreements and other borrowings (Note 11) | 491,945 | 256,939 | 1,277,312 | 610,597 |
| Derivatives designated as hedges | 4,919 | 11,339 | 20,491 | 37,470 |
| | 1,549,557 | 1,111,254 | 4,322,221 | 3,008,359 |
| NET INTEREST INCOME | 3,238,430 | 2,653,992 | 9,048,241 | 8,459,358 |
| Gain on disposal of investment securities at amortized cost (Note 8) | – | 1,945,905 | 2,067,016 | 3,067,627 |
| Service charges, fees and commissions | 774,347 | 306,442 | 1,621,472 | 1,071,039 |
| Trading and securities gain (loss) - net | (80,187) | (52,281) | 825,333 | 483,965 |
| Foreign exchange gain (loss) - net | (10,804) | 75,903 | 189,313 | (17,535) |
| Profit from assets sold/exchanged | 22,722 | 67,842 | 102,223 | 119,105 |
| Rent | 43,188 | 34,798 | 130,643 | 102,805 |
| Share in net income of a joint venture | 5,596 | 4,872 | 14,750 | 17,836 |
| Miscellaneous | 114,196 | 93,494 | 343,452 | 243,628 |
| TOTAL OPERATING INCOME | 4,107,488 | 5,130,967 | 14,342,443 | 13,547,828 |
| OPERATING EXPENSES | | | | |
| Compensation and fringe benefits | 774,535 | 687,639 | 2,330,071 | 1,933,437 |
| Provision for credit losses | 207,223 | 84,335 | 599,071 | 784,335 |
| Taxes and licenses | 215,913 | 190,312 | 1,007,644 | 737,926 |
| Occupancy costs | 202,494 | 188,109 | 592,348 | 526,852 |
| Depreciation and amortization | 162,506 | 132,173 | 444,905 | 371,191 |
| Amortization of software costs | 12,587 | 17,351 | 38,905 | 43,657 |
| Provision for (recovery from) impairment losses | – | (4,769) | 101 | (16,589) |
| Miscellaneous | 815,584 | 763,665 | 2,552,590 | 2,101,180 |
| TOTAL OPERATING EXPENSES | 2,390,842 | 2,058,815 | 7,565,635 | 6,481,989 |
| INCOME BEFORE INCOME TAX | 1,716,646 | 3,072,152 | 6,776,808 | 7,065,839 |
| PROVISION FOR INCOME TAX | 296,451 | 240,196 | 676,064 | 594,403 |
| NET INCOME | P1,420,195 | P2,831,956 | P6,100,744 | P6,471,436 |
| ATTRIBUTABLE TO: | | | | |
| Equity holders of the Parent Company | P1,400,235 | P2,814,364 | P6,057,404 | P6,428,498 |
| Non-controlling interest | 19,960 | 17,592 | 43,340 | 42,938 |
| NET INCOME | P1,420,195 | P2,831,956 | P6,100,744 | P6,471,436 |
| Weighted average number of outstanding common shares* | 602,831,109 | 602,831,109 | 602,831,109 | 602,831,109 |
| Basic/Diluted Earnings Per Share* (Note 15) | P2.32 | P4.67 | P10.04 | P10.66 |

*In absolute amounts

See accompanying Notes to Unaudited Interim Condensed Financial Statements

SECURITY BANK CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

| | Quarter Ended September 30 | | Nine Months Ended September 30 | |
|---|----------------------------|-------------------|--------------------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | (Amounts in Thousands) | | | |
| NET INCOME FOR THE PERIOD | ₱1,420,195 | ₱2,831,956 | ₱6,100,744 | ₱6,471,436 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| <i>Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods:</i> | | | | |
| Cumulative translation adjustments | 71,408 | 107,748 | 21,971 | 40,378 |
| <i>Other Comprehensive Income Not to be Reclassified to Profit or Loss in Subsequent Periods:</i> | | | | |
| Remeasurement gain on defined benefit plan | — | — | 9,748 | — |
| Net unrealized gain (loss) on financial assets at fair value through other comprehensive income, net of tax | (1,006) | 1,797 | 4,885 | (54) |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR | 70,402 | 109,545 | 36,604 | 40,324 |
| TOTAL COMPREHENSIVE INCOME | ₱1,490,597 | ₱2,941,501 | ₱6,137,348 | ₱6,511,760 |
| ATTRIBUTABLE TO: | | | | |
| Equity holders of the Parent Company | ₱1,470,637 | ₱2,923,913 | ₱6,093,949 | ₱6,468,831 |
| Non-controlling interest | 19,960 | 17,588 | 43,399 | 42,929 |
| NET INCOME | ₱1,490,597 | ₱2,941,501 | ₱6,137,348 | ₱6,511,760 |

See accompanying Notes to Unaudited Interim Condensed Financial Statements

SECURITY BANK CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY

| For the Periods Ended September 30, 2015 and 2014 | | | | | | | | | | | |
|---|----------------------------|--|----------------------------------|---------------------|--------------------|---|---|--|--------------------|---------------------------------|--------------------|
| Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | | | |
| | Capital Stock (Note 12) | Stock Dividends Distributable (Note 12) | Additional Paid-In Capital | Surplus Reserves | Surplus | Net Unrealized Gain on Financial Assets at Fair Value through Other Comprehensive Income | Net Unrealized Gain on a Subsidiary's Financial Assets at Fair Value through Other Comprehensive Income | Cumulative Foreign Currency Translation | Total | Non- controlling Interest | Total Equity |
| (Amounts in Thousands) | | | | | | | | | | | |
| Balance at January 1, 2015 | P6,088,594 | P- | P3,210,200 | P487,771 | P36,951,697 | P41,930 | P24,851 | P76,246 | P46,881,289 | P1,075,750 | P47,957,039 |
| Total comprehensive income for the period | - | - | - | - | 6,067,106 | 1,280 | 3,592 | 21,971 | 6,093,949 | 43,399 | 6,137,348 |
| Transfer to surplus | - | - | - | (17,799) | 17,799 | - | - | - | - | - | - |
| Payment of cash dividend (Note 12) | - | - | - | - | (605,182) | - | - | - | (605,182) | (23,500) | (628,682) |
| Balance at September 30, 2015 | P6,088,594 | P- | P3,210,200 | P469,972 | P42,431,420 | P43,210 | P28,443 | P98,217 | P52,370,056 | P1,095,649 | P53,465,705 |
| Balance at January 1, 2014 | P5,023,585 | P1,004,717 | P3,210,200 | P395,690 | P31,011,930 | P35,420 | P24,594 | P49,675 | P40,755,811 | P1,019,172 | P41,774,983 |
| Total comprehensive income for the period | - | - | - | - | 6,428,498 | 2,405 | (2,450) | 40,378 | 6,468,831 | 42,929 | 6,511,760 |
| Issuance of preferred shares | 60,283 | - | - | - | - | - | - | - | 60,283 | - | 60,283 |
| Payment of cash dividend | - | - | - | - | (1,205,662) | - | - | - | (1,205,662) | - | (1,205,662) |
| Payment of stock dividends | 1,004,726 | (1,004,717) | - | - | (9) | - | - | - | - | - | - |
| Transfers to surplus reserve | - | - | - | 60,283 | (60,283) | - | - | - | - | - | - |
| Balance at September 30, 2014 | P6,088,594 | P- | P3,210,200 | P455,973 | P36,174,474 | P37,825 | P22,144 | P90,053 | P46,079,263 | P1,062,101 | P47,141,364 |

See accompanying Notes to Unaudited Interim Condensed Financial Statements

SECURITY BANK CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM STATEMENTS OF CASH FLOWS

| | For the Period Ended September 30 | |
|---|--|--------------|
| | 2015 | 2014 |
| | (Amounts in Thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | ₱6,776,808 | ₱7,065,839 |
| Adjustments for: | | |
| Provision for credit losses | 599,071 | 784,335 |
| Depreciation and amortization | 444,905 | 371,191 |
| Amortization of software costs | 38,905 | 43,657 |
| Amortization of transaction costs on long-term negotiable certificates of deposit (Note 9) | 7,322 | 6,919 |
| Amortization of transaction costs on subordinated notes (Note 11) | 4,051 | 1,169 |
| Amortization of transaction costs on notes payable (Note 10) | 6,971 | — |
| Provision for (recovery of) impairment losses | 101 | (16,589) |
| Profit from assets sold/exchanged | (102,223) | (119,105) |
| Share in net income of a joint venture | (14,750) | (17,836) |
| Unrealized market valuation loss (gain) on financial instruments at fair value through profit or loss (FVTPL) | (356,257) | (485,360) |
| Gain on disposal of financial assets at amortized cost (Note 8) | (2,067,016) | (3,067,627) |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in the amounts of: | | |
| Loans and receivables | (23,690,976) | (16,965,608) |
| Financial assets at FVTPL | 5,847,114 | (7,855,132) |
| Other assets | (1,497,891) | (227,622) |
| Increase (decrease) in the amounts of: | | |
| Deposit liabilities | 28,249,631 | 25,741,677 |
| Manager's and certified checks outstanding | 1,127,665 | 326,454 |
| Accrued interest, taxes and other expenses | 218,191 | 258,263 |
| Margin deposits and cash letters of credit | 132,888 | 78,749 |
| Acceptances payable | 24,721 | (8,046) |
| Other liabilities | (1,814,311) | 171,985 |
| Net cash provided by operations | 13,934,920 | 6,087,313 |
| Income taxes paid | (637,412) | (692,007) |
| Net cash provided by operating activities | 13,297,508 | 5,395,306 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisitions of: | | |
| Investment securities at amortized cost | (111,950,121) | (61,197,837) |
| Financial assets at fair value through other comprehensive income | (228) | — |
| Property and equipment | (645,324) | (741,522) |
| Intangible assets | (77,073) | (242,754) |
| Proceeds from: | | |
| Disposal of investment securities at amortized cost (Note 8) | 39,027,983 | 68,535,088 |
| Disposal of investment properties | 168,994 | 110,430 |
| Disposal of property and equipment | 84,737 | 47,973 |
| Net cash provided by (used in) investing activities | (73,391,032) | 6,511,378 |
| (Forward) | | |

| | For the Period Ended September 30 | |
|--|--|-----------------|
| | 2015 | 2014 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from bills payable and securities sold under repurchase agreements | P4,849,955,385 | P3,297,039,000 |
| Settlements of bills payable and securities sold under repurchase agreements | (4,813,201,227) | (3,321,019,732) |
| Proceeds from issuance of notes payable | 13,166,023 | – |
| Proceeds from issuance of subordinated debt | – | 9,931,008 |
| Proceeds from issuance of preferred shares | – | 60,283 |
| Cash dividends paid (Note 12) | (601,307) | (601,792) |
| Net cash provided by (used in) financing activities | 49,318,874 | (14,591,233) |
| Effect of change in foreign exchange rates | 813,306 | 40,378 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (9,961,344) | (2,644,171) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | | |
| Cash and other cash items | 5,619,751 | 4,428,863 |
| Due from Bangko Sentral ng Pilipinas | 35,843,596 | 45,583,991 |
| Due from other banks | 39,129,595 | 28,739,381 |
| Interbank loans receivable and securities purchased under resale agreements (SPURA) with the Bangko Sentral ng Pilipinas | – | 12,120,000 |
| | 80,592,942 | 90,872,235 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | | |
| Cash and other cash items | 4,477,004 | 3,817,548 |
| Due from BSP | 34,688,390 | 31,937,802 |
| Due from other banks | 31,466,204 | 44,472,714 |
| Interbank loans receivable and SPURA with the Bangko Sentral ng Pilipinas | – | 8,000,000 |
| | P70,631,598 | P88,228,064 |
| OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS | | |
| Interest received | P13,088,261 | P11,661,258 |
| Interest paid | 4,257,412 | 2,853,220 |
| Dividends received | 170,536 | 15,670 |

See accompanying Notes to Unaudited Interim Condensed Financial Statements

APPENDIX B - FINANCIAL STATEMENTS OF RCBC

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013
(Amounts in Millions of Philippine Pesos)

| | | GROUP | | PARENT COMPANY | |
|---|-------|---------------------|--------------|---------------------|--------------|
| | Notes | 2014 | 2013 | 2014 | 2013 |
| <u>RESOURCES</u> | | | | | |
| CASH AND OTHER CASH ITEMS | 9 | P 13,085 | P 9,826 | P 9,539 | P 7,563 |
| DUE FROM BANGKO SENTRAL NG PILIPINAS | 9 | 46,099 | 52,491 | 37,763 | 48,679 |
| DUE FROM OTHER BANKS | 9 | 16,600 | 7,537 | 15,535 | 6,212 |
| TRADING AND INVESTMENT SECURITIES - Net | 10 | 100,790 | 92,700 | 87,540 | 79,240 |
| LOANS AND RECEIVABLES - Net | 11 | 261,574 | 237,960 | 205,614 | 191,636 |
| INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES - Net | 12 | 321 | 333 | 7,999 | 7,999 |
| BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net | 13 | 7,031 | 8,814 | 4,487 | 7,021 |
| INVESTMENT PROPERTIES - Net | 14 | 5,355 | 4,579 | 3,426 | 1,944 |
| OTHER RESOURCES - Net | 15 | <u>7,050</u> | <u>7,629</u> | <u>5,027</u> | <u>4,796</u> |
| TOTAL RESOURCES | | P 457,905 | P 421,869 | P 376,930 | P 355,090 |

| | | GROUP | | | | PARENT COMPANY | | | |
|--|-------|-------|---------------|------|---------------|----------------|---------------|------|---------------|
| | Notes | 2014 | | 2013 | | 2014 | | 2013 | |
| <u>LIABILITIES AND EQUITY</u> | | | | | | | | | |
| DEPOSIT LIABILITIES | 17 | P | 315,761 | P | 297,853 | P | 248,022 | P | 243,620 |
| BILLS PAYABLE | 18 | | 39,799 | | 39,895 | | 36,837 | | 37,067 |
| BONDS PAYABLE | 19 | | 23,486 | | 23,317 | | 23,486 | | 23,317 |
| SUBORDINATED DEBT | 20 | | 9,921 | | - | | 9,921 | | - |
| ACCRUED INTEREST, TAXES AND OTHER EXPENSES | 21 | | 4,671 | | 4,537 | | 3,498 | | 3,549 |
| OTHER LIABILITIES | 22 | | <u>11,136</u> | | <u>11,459</u> | | <u>8,474</u> | | <u>8,387</u> |
| Total Liabilities | | | 404,774 | | 377,061 | | 330,238 | | 315,940 |
| EQUITY | 23 | | <u>53,131</u> | | <u>44,808</u> | | <u>46,692</u> | | <u>39,150</u> |
| TOTAL LIABILITIES AND EQUITY | | P | 457,905 | P | 421,869 | P | 376,930 | P | 355,090 |

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Millions of Philippine Pesos, Except Per Share Data)

| | | GROUP | | | PARENT COMPANY | | |
|---|----------------|----------|----------|----------|----------------|----------|----------|
| | Notes | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| INTEREST INCOME | | | | | | | |
| Loans and receivables | 11 | P 15,961 | P 14,302 | P 13,843 | P 11,143 | P 10,138 | P 10,126 |
| Trading and investment securities | 10 | 4,026 | 4,259 | 4,736 | 3,578 | 3,762 | 4,184 |
| Others | 9, 24 | 213 | 263 | 178 | 190 | 246 | 111 |
| | | 20,200 | 18,824 | 18,757 | 14,911 | 14,146 | 14,421 |
| INTEREST EXPENSE | | | | | | | |
| Deposit liabilities | 17 | 2,581 | 2,682 | 4,294 | 1,849 | 1,855 | 3,255 |
| Bills payable and other borrowings | 18, 19, 20, 24 | 2,652 | 2,831 | 3,061 | 2,519 | 2,698 | 2,928 |
| | | 5,233 | 5,513 | 7,355 | 4,368 | 4,553 | 6,183 |
| NET INTEREST INCOME | | 14,967 | 13,311 | 11,402 | 10,543 | 9,593 | 8,238 |
| IMPAIRMENT LOSSES - Net | | 16 2,509 | 2,054 | 2,486 | 1,663 | 1,380 | 1,921 |
| NET INTEREST INCOME AFTER IMPAIRMENT LOSSES | | 12,458 | 11,257 | 8,916 | 8,880 | 8,213 | 6,317 |
| OTHER OPERATING INCOME | | | | | | | |
| Trading and securities gains - net | 2, 10 | 2,545 | 2,600 | 6,804 | 1,869 | 1,762 | 5,541 |
| Service fees and commissions | 2 | 2,297 | 2,398 | 2,080 | 1,166 | 1,375 | 1,196 |
| Trust fees | 27 | 297 | 304 | 293 | 255 | 257 | 254 |
| Foreign exchange gains - net | 2, 19 | 237 | 264 | 196 | 199 | 221 | 168 |
| Miscellaneous | 25 | 1,726 | 4,244 | 1,969 | 2,668 | 4,208 | 1,712 |
| | | 7,102 | 9,810 | 11,342 | 6,157 | 7,823 | 8,871 |
| TOTAL OPERATING INCOME | | P 19,560 | P 21,067 | P 20,258 | P 15,037 | P 16,036 | P 15,188 |

Forward

| | Notes | GROUP | | | PARENT COMPANY | | |
|------------------------------------|------------|-----------------|----------|----------|-----------------|----------|----------|
| | | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| TOTAL OPERATING INCOME | | P 19,560 | P 21,067 | P 20,258 | P 15,037 | P 16,036 | P 15,188 |
| OTHER OPERATING EXPENSES | | | | | | | |
| Employee benefits | 24 | 4,064 | 3,886 | 3,851 | 2,748 | 2,639 | 2,732 |
| Occupancy and equipment-related | 28, 29 | 2,528 | 2,390 | 2,269 | 1,863 | 1,731 | 1,646 |
| Taxes and licenses | | 1,463 | 1,708 | 1,628 | 1,016 | 1,202 | 1,210 |
| Depreciation and amortization | 13, 14, 15 | 1,577 | 1,318 | 1,114 | 860 | 772 | 671 |
| Miscellaneous | 25 | 4,604 | 5,172 | 4,695 | 3,483 | 3,943 | 3,689 |
| | | 14,236 | 14,474 | 13,557 | 9,970 | 10,287 | 9,948 |
| PROFIT BEFORE TAX | | 5,324 | 6,593 | 6,701 | 5,067 | 5,749 | 5,240 |
| TAX EXPENSE | 26 | 914 | 1,259 | 745 | 588 | 967 | 524 |
| NET PROFIT | | P 4,410 | P 5,334 | P 5,956 | P 4,479 | P 4,782 | P 4,716 |
| ATTRIBUTABLE TO: | | | | | | | |
| PARENT COMPANY SHAREHOLDERS | | P 4,411 | P 5,321 | P 5,949 | | | |
| NON-CONTROLLING INTERESTS | | (1) | 13 | 7 | | | |
| | | P 4,410 | P 5,334 | P 5,956 | | | |
| Earnings Per Share | 30 | | | | | | |
| Basic | | P 3.11 | P 3.95 | P 4.85 | P 3.16 | P 3.52 | P 3.77 |
| Diluted | | P 3.11 | P 3.95 | P 4.85 | P 3.16 | P 3.52 | P 3.77 |

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 and 2012
(Amounts in Millions of Philippine Pesos)

| | Notes | GROUP | | | PARENT COMPANY | | |
|---|--------|----------------------------|-----------|---------|----------------------------|-----------|---------|
| | | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| NET PROFIT | | P 4,410 | P 5,334 | P 5,956 | P 4,479 | P 4,782 | P 4,716 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | | | | |
| Items that will not be reclassified subsequently to profit or loss | | | | | | | |
| Fair value gains on financial assets at fair value through other comprehensive income | 10, 23 | 118 | - | - | 56 | - | - |
| Actuarial gains (losses) on defined benefit plan | 23 | 1 (773) | 1,160 | | 80 (755) | 1,153 | |
| | | 119 (773) | 1,160 | | 136 (755) | 1,153 | |
| Items that will be reclassified subsequently to profit or loss | | | | | | | |
| Translation adjustments on foreign operations | 23 | (5) | 4 (2) | - | - | - | - |
| Fair value gains (losses) on available-for-sale securities | 10 | - | (8,150) | 863 | - | (6,982) | 787 |
| Excess of cost of investment over net assets of an acquired subsidiary | 23 | - | - | (87) | - | - | - |
| | | (5) (8,146) | 774 | | - (6,982) | 787 | |
| Total Other Comprehensive Income (Loss) | 23 | 114 (8,919) | 1,934 | | 136 (7,737) | 1,940 | |
| TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR | | P 4,524 (P 3,585) | P 7,890 | | P 4,615 (P 2,955) | P 6,656 | |
| ATTRIBUTABLE TO: | | | | | | | |
| PARENT COMPANY SHAREHOLDERS | | P 4,525 (P 3,598) | P 7,883 | | | | |
| NON-CONTROLLING INTERESTS | | (1) | 13 | 7 | | | |
| | | P 4,524 (P 3,585) | P 7,890 | | | | |

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Millions of Philippine Pesos)

| GROUP | | | | | | | | | | | | |
|---|---|-----------------|-------------------------------|-----------------------------|----------------------|----------------------------|----------------|-----------|-----------|---------------------------|--------------|-----------|
| Notes | ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS | | | | | | | | | NON-CONTROLLING INTERESTS | TOTAL EQUITY | |
| | COMMON STOCK | PREFERRED STOCK | CAPITAL PAID IN EXCESS OF PAR | HYBRID PERPETUAL SECURITIES | REVALUATION RESERVES | RESERVE FOR TRUST BUSINESS | OTHER RESERVES | SURPLUS | TOTAL | | | |
| Balance at January 1, 2014, as previously stated | P | 12,757 | P 3 | P 16,148 | P 4,883 | (P 5,154) | P 348 | (P 282) | P 16,082 | P 44,785 | P 23 | P 44,808 |
| Effect of adoption of PFRS 9, <i>Financial Instruments</i> | 2 | - | - | - | - | 5,694 | - | - | (177) | 5,517 | - | 5,517 |
| Balance at January 1, 2014, as restated | | 12,757 | 3 | 16,148 | 4,883 | 540 | 348 | (282) | 15,905 | 50,302 | 23 | 50,325 |
| Transactions with owners | 23 | - | - | - | - | - | - | 185 | (185) | - | - | - |
| Effect of retirement of preferred shares | | - | - | - | - | - | - | - | (1,718) | (1,718) | - | (1,718) |
| Cash dividends | | - | - | - | - | - | - | 185 | (1,903) | (1,718) | - | (1,718) |
| Total transactions with owners | | - | - | - | - | - | - | - | 4,411 | 4,525 | (1) | 4,524 |
| Total comprehensive income (loss) for the year | 23 | - | - | - | - | 114 | - | - | - | - | - | - |
| Transfer of fair value losses on financial assets | 23 | - | - | - | - | - | - | - | - | - | - | - |
| at fair value through other comprehensive income to surplus | 23 | - | - | - | - | 28 | - | - | (28) | - | - | - |
| Transfer from surplus to reserve for trust business | 27 | - | - | - | - | - | 18 | - | (18) | - | - | - |
| Balance at December 31, 2014 | | P 12,757 | P 3 | P 16,148 | P 4,883 | P 682 | P 366 | (P 97) | P 18,367 | P 53,109 | P 22 | P 53,131 |
| Balance at January 1, 2013 | | P 11,409 | P 3 | P 9,397 | P 4,883 | P 3,765 | P 329 | (P 330) | P 12,676 | P 42,132 | P 30 | P 42,162 |
| Transactions with owners | 23 | 1,348 | - | 6,751 | - | - | - | - | - | 8,099 | - | 8,099 |
| Issuance of common shares during the year | | - | - | - | - | - | - | 48 | (204) | (156) | (20) | (176) |
| Effect of disposal and change in percentage ownership over subsidiaries | | - | - | - | - | - | - | - | (1,692) | (1,692) | - | (1,692) |
| Cash dividends | | 1,348 | - | 6,751 | - | - | - | 48 | (1,896) | 6,251 | (20) | 6,231 |
| Total transactions with owners | 23 | - | - | - | - | (8,919) | - | - | 5,321 | (3,598) | 13 | (3,585) |
| Total comprehensive income (loss) for the year | 23 | - | - | - | - | - | - | - | - | - | - | - |
| Transfer from surplus to reserve for trust business | 27 | - | - | - | - | - | 19 | - | (19) | - | - | - |
| Balance at December 31, 2013 | | P 12,757 | P 3 | P 16,148 | P 4,883 | (P 5,154) | P 348 | (P 282) | P 16,082 | P 44,785 | P 23 | P 44,808 |
| Balance at January 1, 2012 | | P 11,401 | P 26 | P 9,382 | P 4,883 | P 1,744 | P 313 | (P 102) | P 8,304 | P 35,951 | P 195 | P 36,146 |
| Transactions with owners | 23 | 8 | (23) | 15 | - | - | - | - | - | - | - | - |
| Conversion of preferred stock to common stock | | - | - | - | - | - | - | (141) | (120) | (261) | (172) | (433) |
| Effect of change in percentage ownership over subsidiaries | | - | - | - | - | - | - | - | (1,441) | (1,441) | - | (1,441) |
| Cash dividends | | 8 | (23) | 15 | - | - | - | (141) | (1,561) | (1,702) | (172) | (1,874) |
| Total transactions with owners | 23 | - | - | - | - | 2,021 | - | (87) | 5,949 | 7,883 | 7 | 7,890 |
| Total comprehensive income (loss) for the year | 23 | - | - | - | - | - | - | - | - | - | - | - |
| Transfer from surplus to reserve for trust business | 27 | - | - | - | - | - | 16 | - | (16) | - | - | - |
| Balance at December 31, 2012 | | P 11,409 | P 3 | P 9,397 | P 4,883 | P 3,765 | P 329 | (P 330) | P 12,676 | P 42,132 | P 30 | P 42,162 |

| PARENT COMPANY | | | | | | | | | |
|--|-----------------|-----------------|-------------------------------|-----------------------------|----------------------|----------------------------|-----------------|-----------------|--|
| Notes | COMMON STOCK | PREFERRED STOCK | CAPITAL PAID IN EXCESS OF PAR | HYBRID PERPETUAL SECURITIES | REVALUATION RESERVES | RESERVE FOR TRUST BUSINESS | SURPLUS | TOTAL EQUITY | |
| Balance at January 1, 2014, as previously stated | P 12,757 | P 3 | P 16,148 | P 4,883 | (P 4,489) | P 327 | P 9,521 | P 39,150 | |
| Effect of adoption of PFRS 9, <i>Financial Instruments</i> | - | - | - | - | 5,102 | - | (457) | 4,645 | |
| Balance at January 1, 2014, as restated | 12,757 | 3 | 16,148 | 4,883 | 613 | 327 | 9,064 | 43,795 | |
| Transaction with owners | | | | | | | | | |
| Cash dividends | - | - | - | - | - | - | (1,718) | (1,718) | |
| Total comprehensive income for the year | - | - | - | - | 136 | - | 4,479 | 4,615 | |
| Transfer from surplus to reserve for trust business | - | - | - | - | - | 14 | (14) | - | |
| Balance at December 31, 2014 | P 12,757 | P 3 | P 16,148 | P 4,883 | P 749 | P 341 | P 11,811 | P 46,692 | |
| Balance at January 1, 2013 | P 11,409 | P 3 | P 9,397 | P 4,883 | P 3,248 | P 312 | P 6,446 | P 35,698 | |
| Transactions with owners | | | | | | | | | |
| Issuance of common shares during the year | 1,348 | - | 6,751 | - | - | - | - | 8,099 | |
| Cash dividends | - | - | - | - | - | - | (1,692) | (1,692) | |
| Total transactions with owners | 1,348 | - | 6,751 | - | - | - | (1,692) | 6,407 | |
| Total comprehensive income (loss) for the year | - | - | - | - | (7,737) | - | 4,782 | (2,955) | |
| Transfer from surplus to reserve for trust business | - | - | - | - | - | 15 | (15) | - | |
| Balance at December 31, 2013 | P 12,757 | P 3 | P 16,148 | P 4,883 | (P 4,489) | P 327 | P 9,521 | P 39,150 | |
| Balance at January 1, 2012 | P 11,401 | P 26 | P 9,382 | P 4,883 | P 1,308 | P 299 | P 3,184 | P 30,483 | |
| Transactions with owners | | | | | | | | | |
| Conversion of preferred stock to common stock | 8 | (23) | 15 | - | - | - | - | - | |
| Cash dividends | - | - | - | - | - | - | (1,441) | (1,441) | |
| Total transactions with owners | 8 | (23) | 15 | - | - | - | (1,441) | (1,441) | |
| Total comprehensive income for the year | - | - | - | - | 1,940 | - | 4,716 | 6,656 | |
| Transfer from surplus to reserve for trust business | - | - | - | - | - | 13 | (13) | - | |
| Balance at December 31, 2012 | P 11,409 | P 3 | P 9,397 | P 4,883 | P 3,248 | P 312 | P 6,446 | P 35,698 | |

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Millions of Philippine Pesos)

| | Notes | GROUP | | | PARENT COMPANY | | |
|---|------------|------------|------------|------------|----------------|------------|------------|
| | | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| Profit before tax | | P 5,324 | P 6,593 | P 6,701 | P 5,067 | P 5,749 | P 5,240 |
| Adjustments for: | | | | | | | |
| Interest income | | (20,200) | (18,824) | (18,757) | (14,911) | (14,146) | (14,421) |
| Interest received | | 19,980 | 19,106 | 18,604 | 14,757 | 14,433 | 13,947 |
| Interest expense | | 5,233 | 5,513 | 7,355 | 4,368 | 4,553 | 6,183 |
| Interest paid | | (5,162) | (5,637) | (7,188) | (4,412) | (4,658) | (6,004) |
| Impairment losses | 16 | 2,509 | 2,054 | 2,486 | 1,663 | 1,380 | 1,921 |
| Depreciation and amortization | 13, 14, 15 | 1,577 | 1,318 | 1,114 | 860 | 772 | 671 |
| Dividend income | 25 | (285) | (182) | (298) | (1,682) | (1,000) | (918) |
| Share in net earnings of associates | 12 | (24) | (243) | (357) | - | - | - |
| Gain from disposals of investments in subsidiary and associates | 12 | - | (1,380) | - | - | (1,787) | - |
| Operating profit before working capital changes | | 8,952 | 8,318 | 9,660 | 5,710 | 5,296 | 6,619 |
| Decrease in financial assets at fair value through profit and loss | | 21,018 | 8,204 | 326 | 19,381 | 6,688 | 2,195 |
| Increase in financial assets at fair value through other comprehensive income | | (76) | - | - | - | - | - |
| Decrease (increase) in loans and receivables | | (28,046) | (50,531) | (6,247) | (17,819) | (40,680) | 146 |
| Decrease in investment properties | | 242 | 2,905 | 297 | 657 | 1,674 | 218 |
| Decrease (increase) in other resources | | 468 | (1,110) | (1,959) | (252) | (492) | (1,731) |
| Increase (decrease) in deposit liabilities | | 17,908 | 51,096 | (8,526) | 4,402 | 47,185 | (7,599) |
| Increase (decrease) in accrued interest, taxes and other expenses | | (59) | (502) | (1,352) | (2) | 235 | 1,675 |
| Increase (decrease) in other liabilities | | (119) | 2,287 | 2,682 | 337 | 1,568 | 1,572 |
| Cash generated from (used in) operations | | 20,288 | 20,667 | (2,415) | 12,414 | 21,474 | 3,095 |
| Cash paid for taxes | | (792) | (1,382) | (719) | (593) | (955) | (649) |
| Net Cash From (Used in) Operating Activities | | 19,496 | 19,285 | (3,134) | 11,821 | 20,519 | 2,446 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| Increase in investment securities at amortized cost | | (20,993) | - | - | (20,577) | - | - |
| Acquisitions of bank premises, furniture and fixtures, and equipment | 13 | (912) | (2,751) | (2,217) | (573) | (3,319) | (1,282) |
| Cash dividends received | 12, 25 | 285 | 466 | 322 | 1,682 | 1,000 | 918 |
| Acquisitions of software | 15 | (147) | (304) | (217) | (124) | (249) | (62) |
| Proceeds from disposals of bank premises, furniture, fixtures and equipment | 13 | 98 | 362 | 291 | 185 | 52 | 204 |
| Additional investments in subsidiaries and associates | | (4) | - | - | (4) | - | (687) |
| Increase in available-for-sale securities | | - | (12,783) | (6,938) | - | (13,570) | (6,922) |
| Proceeds from disposals of investments in subsidiary and associates | 12 | - | 4,772 | - | - | 5,344 | - |
| Net Cash Used in Investing Activities | | (21,673) | (10,238) | (8,759) | (19,411) | (10,742) | (7,831) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | |
| Net proceeds from issuance of subordinated debt | 20 | 9,921 | - | - | 9,921 | - | - |
| Dividends paid | 23 | (1,718) | (1,692) | (1,441) | (1,718) | (1,692) | (1,441) |
| Proceeds from (payments of) bills payable | 18 | (96) | 13,508 | 8,350 | (230) | 13,096 | 7,824 |
| Redemption of subordinated debt | 20 | - | (10,987) | - | - | (10,987) | - |
| Issuance of common shares | 23 | - | 8,099 | - | - | 8,099 | - |
| Net proceeds from issuance of bonds payable | 19 | - | - | 10,648 | - | - | 10,648 |
| Net Cash From Financing Activities | | 8,107 | 8,928 | 17,557 | 7,973 | 8,516 | 17,031 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS <i>(Balance Carried Forward)</i> | | P 5,930 | P 17,975 | P 5,664 | P 383 | P 18,293 | P 11,646 |

| | Note | GROUP | | | PARENT COMPANY | | |
|---|------|-----------------|----------|----------|-----------------|----------|----------|
| | | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS <i>(Balance Brought Forward)</i> | | P 5,930 | P 17,975 | P 5,664 | P 383 | P 18,293 | P 11,646 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | | | | | | |
| Cash and other cash items | 9 | 9,826 | 9,380 | 8,163 | 7,563 | 7,432 | 6,560 |
| Due from Bangko Sentral ng Pilipinas | 9 | 52,491 | 36,620 | 34,283 | 48,679 | 31,590 | 22,990 |
| Due from other banks | 9 | 7,537 | 5,879 | 3,769 | 6,212 | 5,139 | 2,965 |
| | | 69,854 | 51,879 | 46,215 | 62,454 | 44,161 | 32,515 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | | | | | | |
| Cash and other cash items | 9 | 13,085 | 9,826 | 9,380 | 9,539 | 7,563 | 7,432 |
| Due from Bangko Sentral ng Pilipinas | 9 | 46,099 | 52,491 | 36,620 | 37,763 | 48,679 | 31,590 |
| Due from other banks | 9 | 16,600 | 7,537 | 5,879 | 15,535 | 6,212 | 5,139 |
| | | P 75,784 | P 69,854 | P 51,879 | P 62,837 | P 62,454 | P 44,161 |

Supplemental Information on Noncash Operating, Investing and Financing Activities:

1. On January 1, 2014, as a result of the adoption of Philippine Financial Reporting Standards 9, *Financial Instruments (2009, 2010 and 2013 versions)*, the Group and the Parent Company reclassified a portfolio of AFS securities amounting to P53,996 and P45,827, respectively, to financial assets at amortized cost; P31,910 and P29,547, respectively, to financial assets at FVPL; P3,245 and P1,247, respectively, to financial assets at FVOCI; and, both for P261 to loans and receivables (see Note 2).
2. In 2014, the Parent Company sold a certain non-performing asset with a carrying amount of P774 for a total consideration of P740 consisting of P35 cash as downpayment, P40 accounts receivables and P665 sales contract receivables (see Note 14).
3. In 2014, the Parent Company reclassified a portion of RSB Corporate Center including the land where it is located with carrying amount of P1,985 and P419, respectively, from Bank Premises, Furniture and Fixtures, and Equipment to Investment Properties account following the commencement of operating leases for the significant portion of the property during the year. In the consolidated financial statements of the Group, a portion of the property being leased out with gross amount of P1,524 is classified as part of the Investment Properties account in the 2014 statement of financial position (see Note 13).
4. In 2013, the Group received a 10-year note from Philippine Asset Growth One with a face amount of P731 which formed part of the consideration received in relation to the Parent Company's disposal of non-performing assets (see Note 10).
5. The Group and the Parent Company foreclosed real and other properties totalling to P834 and P18, respectively, in 2014, P690 and P16, respectively, in 2013, and P579 and P96, respectively, in 2012 in settlement of certain loan accounts (see Note 14).
6. In 2012, preferred shares amounting to P23 or 2,242,674 shares with a par value of P10 were converted into 722,012 common shares with the same par value (see Note 23).

See Notes to Financial Statements.

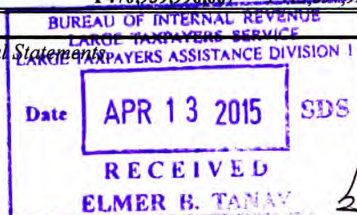
APPENDIX C - FINANCIAL STATEMENTS OF CHINABANK

CHINA BANKING CORPORATION AND SUBSIDIARIES

BALANCE SHEETS

| | Consolidated | | Parent Company | |
|--|------------------|------------------|------------------|------------------|
| | December 31 | | | |
| | 2014 | 2013 | 2014 | 2013 |
| ASSETS | | | | |
| Cash and Other Cash Items | ₱10,734,059,421 | ₱7,281,640,616 | ₱9,295,129,845 | ₱7,035,251,105 |
| Due from Bangko Sentral ng Pilipinas (Notes 7 and 16) | 67,451,647,883 | 78,968,132,522 | 60,543,866,682 | 75,678,312,048 |
| Due from Other Banks (Note 7) | 17,552,823,222 | 23,885,538,128 | 15,836,701,053 | 23,215,575,357 |
| Interbank Loans Receivables | 223,600,000 | — | 223,600,000 | — |
| Financial Assets at Fair Value through Profit or Loss (Note 8) | 8,440,698,688 | 10,421,423,053 | 8,012,435,288 | 10,421,423,053 |
| Available-for-Sale Financial Assets (Note 8) | 38,476,852,312 | 44,349,256,775 | 37,075,237,960 | 43,196,190,593 |
| Held-to-Maturity Financial Assets (Note 8) | 12,109,343,604 | 12,150,546,829 | 11,353,787,827 | 12,122,589,213 |
| Loans and Receivables (Notes 9 and 28) | 290,418,729,517 | 220,540,902,915 | 245,257,220,870 | 210,762,269,411 |
| Accrued Interest Receivable (Note 15) | 2,236,980,535 | 1,899,408,789 | 1,910,677,425 | 1,801,594,853 |
| Investment in Subsidiaries (Note 10) | — | — | 6,016,949,825 | 1,927,749,787 |
| Investment in Associates (Note 10) | 534,881,164 | 21,245,838 | 166,273,454 | 21,245,838 |
| Bank Premises, Furniture, Fixtures and Equipment (Note 11) | 6,250,652,990 | 5,279,940,404 | 4,748,198,638 | 4,725,647,705 |
| Investment Properties (Note 12) | 5,766,821,914 | 2,410,529,492 | 1,901,362,829 | 2,078,092,008 |
| Deferred Tax Assets (Note 26) | 848,686,105 | 627,795,898 | 842,366,600 | 763,461,954 |
| Branch Licenses (Notes 10 and 13) | 2,427,100,000 | 837,600,000 | 455,000,000 | 455,000,000 |
| Goodwill (Notes 10 and 13) | 1,491,639,289 | 222,841,201 | 222,841,201 | 222,841,201 |
| Other Assets (Note 14) | 5,975,480,023 | 4,801,120,536 | 3,639,729,318 | 4,398,466,854 |
| | ₱470,939,996,667 | ₱413,697,922,996 | ₱407,501,378,815 | ₱398,825,710,980 |
| LIABILITIES AND EQUITY | | | | |
| Liabilities | | | | |
| Deposit Liabilities (Notes 16 and 28) | | | | |
| Demand | ₱97,703,743,693 | ₱76,735,905,420 | ₱88,942,590,615 | ₱75,632,975,179 |
| Savings | 95,526,360,293 | 78,988,121,055 | 86,798,097,735 | 68,895,602,645 |
| Time | 206,071,440,072 | 198,544,176,205 | 165,343,945,862 | 195,303,275,663 |
| | 399,301,544,058 | 354,268,202,680 | 341,084,634,212 | 339,831,853,487 |
| Bills Payable (Note 17) | 6,320,579,549 | 8,299,194,525 | 5,177,600,839 | 8,299,194,525 |
| Manager's Checks | 1,221,394,875 | 859,892,248 | 822,179,038 | 704,488,259 |
| Income Tax Payable | 10,943,813 | 6,768,350 | 1,396,937 | — |
| Accrued Interest and Other Expenses (Note 18) | 1,630,748,489 | 1,501,925,478 | 1,312,475,404 | 1,445,621,346 |
| Derivative Liabilities (Note 24) | 101,609,941 | 154,808,366 | 101,609,941 | 154,808,366 |
| Deferred Tax Liabilities (Note 26) | 962,555,706 | — | — | — |
| Subordinated Debt (Note 17) | 1,188,761,984 | — | — | — |
| Other Liabilities (Note 19) | 3,635,809,137 | 3,207,431,910 | 2,182,918,508 | 2,816,377,585 |
| | 414,373,947,552 | 368,298,223,557 | 350,682,814,879 | 353,252,343,568 |
| Equity | | | | |
| Equity Attributable to Equity Holders of the Parent Company | | | | |
| Capital stock (Note 22) | 17,164,143,170 | 14,276,616,580 | 17,164,143,170 | 14,276,616,580 |
| Capital paid in excess of par value (Note 22) | 6,987,564,304 | 671,504,726 | 6,987,564,304 | 671,504,726 |
| Surplus reserves (Notes 22 and 27) | 800,005,924 | 775,068,774 | 800,005,924 | 775,068,774 |
| Surplus (Notes 22 and 27) | 31,310,602,555 | 29,079,842,263 | 31,489,977,481 | 29,261,041,727 |
| Net unrealized gains (losses) on available-for-sale financial assets (Note 8) | 122,920,333 | (79,257,616) | 114,499,317 | (73,855,091) |
| Remeasurement gain on defined benefit asset or liability (Note 23) | 199,151,231 | 604,715,114 | 283,740,633 | 596,643,032 |
| Cumulative translation adjustment | (20,391,728) | 66,347,664 | (21,366,893) | 66,347,664 |
| | 56,563,995,789 | 45,394,837,505 | 56,818,563,936 | 45,573,367,412 |
| Non-controlling Interest | 2,053,326 | 4,861,934 | — | — |
| | 56,566,049,115 | 45,399,699,439 | 56,818,563,936 | 45,573,367,412 |
| | ₱470,939,996,667 | ₱413,697,922,996 | ₱407,501,378,815 | ₱398,825,710,980 |

See accompanying Notes to Financial Statements



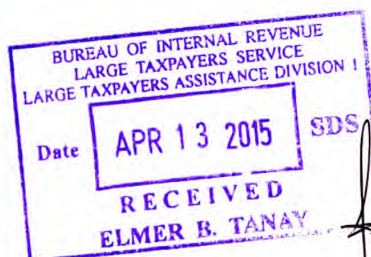
CHINA BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF INCOME

| | Consolidated | | | Parent Company | | |
|---|-------------------------|-----------------|----------------|-----------------|----------------|----------------|
| | Years Ended December 31 | | | | | |
| | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| INTEREST INCOME | | | | | | |
| Loans and receivables (Notes 9 and 28) | ₱14,674,211,129 | ₱10,372,075,442 | ₱9,522,024,446 | ₱11,295,416,007 | ₱9,729,506,391 | ₱9,245,295,416 |
| Trading and investments (Note 8) | 3,021,786,168 | 3,227,341,138 | 3,373,834,036 | 2,872,123,892 | 3,158,295,958 | 3,297,564,886 |
| Due from Bangko Sentral ng Pilipinas and other banks (Note 7) | 701,141,844 | 481,736,900 | 255,011,199 | 465,089,374 | 408,149,958 | 188,552,690 |
| | 18,397,139,141 | 14,081,153,480 | 13,150,869,681 | 14,632,629,273 | 13,295,952,307 | 12,731,412,992 |
| INTEREST EXPENSE | | | | | | |
| Deposit liabilities (Notes 16 and 28) | 4,016,718,063 | 4,047,245,174 | 4,963,125,873 | 2,904,698,563 | 3,737,550,341 | 4,730,727,574 |
| Bills payable and other borrowings (Note 17) | 291,674,420 | 97,917,679 | 125,402,976 | 141,825,008 | 97,917,679 | 125,402,976 |
| | 4,308,392,483 | 4,145,162,853 | 5,088,528,849 | 3,046,523,571 | 3,835,468,020 | 4,856,130,550 |
| NET INTEREST INCOME | | | | | | |
| | 14,088,746,658 | 9,935,990,627 | 8,062,340,832 | 11,586,105,702 | 9,460,484,287 | 7,875,282,442 |
| Service charges, fees and commissions (Note 20) | 1,561,807,355 | 1,156,459,862 | 1,046,352,293 | 1,220,648,836 | 1,004,074,075 | 949,167,096 |
| Trading and securities gain - net (Notes 8 and 20) | 535,262,784 | 1,904,885,163 | 2,916,299,207 | 458,895,756 | 1,614,807,963 | 2,787,172,905 |
| Gain on sale of investment properties | 355,065,312 | 462,742,999 | 291,424,782 | 363,192,439 | 467,216,863 | 291,630,417 |
| Foreign exchange gain (loss) - net (Note 24) | 329,943,826 | (89,663,242) | 259,100,974 | 335,847,539 | (96,189,849) | 260,605,044 |
| Trust fee income (Note 28) | 251,489,056 | 420,721,273 | 555,954,835 | 249,371,499 | 416,286,552 | 552,576,294 |
| Gain on asset foreclosure and dacion transactions (Note 12) | 138,556,699 | 219,470,577 | 50,538,556 | 82,305,633 | 191,126,297 | 51,837,658 |
| Miscellaneous (Notes 10, 12, 20 and 28) | 1,587,151,376 | 1,085,974,887 | 673,944,104 | 1,017,928,252 | 1,082,832,730 | 499,813,658 |
| TOTAL OPERATING INCOME | 18,848,023,066 | 15,096,582,146 | 13,855,955,583 | 15,314,295,656 | 14,140,638,918 | 13,268,085,514 |
| Compensation and fringe benefits (Notes 23 and 28) | 4,170,574,035 | 3,112,588,968 | 2,850,571,322 | 3,030,719,194 | 2,762,462,214 | 2,604,402,428 |
| Occupancy cost (Notes 25 and 28) | 1,669,407,618 | 1,229,979,549 | 1,065,386,034 | 1,206,551,379 | 1,059,665,123 | 949,205,463 |
| Taxes and licenses | 1,055,714,221 | 828,261,895 | 819,755,015 | 836,880,795 | 751,875,186 | 784,434,373 |
| Depreciation and amortization (Notes 11 and 12) | 923,199,525 | 752,886,033 | 825,295,807 | 630,577,477 | 595,746,442 | 620,913,478 |
| Insurance | 898,228,338 | 690,029,507 | 568,346,857 | 751,524,902 | 664,178,791 | 555,981,693 |
| Stationery, supplies and postage | 876,929,620 | 699,570,330 | 605,316,347 | 718,926,591 | 681,351,714 | 598,933,969 |
| Provision for impairment and credit losses (Note 15) | 440,901,390 | 414,335,872 | 236,756,182 | 100,920,462 | 278,540,863 | 200,181,569 |
| Transportation and traveling | 371,653,065 | 344,079,528 | 316,530,142 | 285,041,941 | 321,264,135 | 292,606,142 |
| Entertainment, amusement and recreation | 323,536,811 | 221,735,895 | 206,536,313 | 207,047,616 | 190,673,800 | 188,736,887 |
| Professional fees, marketing and other related services | 229,015,410 | 174,074,631 | 165,064,472 | 165,534,110 | 157,803,302 | 143,382,546 |
| Repairs and maintenance | 188,588,774 | 164,317,392 | 166,580,997 | 131,855,092 | 162,285,099 | 168,287,583 |
| Miscellaneous (Notes 20 and 28) | 1,021,797,770 | 689,738,609 | 604,517,780 | 725,311,515 | 680,378,003 | 611,515,823 |
| TOTAL OPERATING EXPENSES | 12,169,546,577 | 9,321,598,209 | 8,430,657,268 | 8,790,891,074 | 8,306,224,672 | 7,718,581,954 |
| INCOME BEFORE INCOME TAX | 6,678,476,489 | 5,774,983,937 | 5,425,298,315 | 6,523,404,582 | 5,834,414,246 | 5,549,503,560 |
| PROVISION FOR INCOME TAX (Note 26) | 1,564,927,273 | 674,536,437 | 422,288,616 | 1,408,832,332 | 649,928,260 | 412,557,140 |
| NET INCOME | ₱5,113,549,216 | ₱5,100,447,500 | ₱5,003,009,699 | ₱5,114,572,250 | ₱5,184,485,986 | ₱5,136,946,420 |
| Attributable to: | | | | | | |
| Equity holders of the Parent Company (Note 31) | ₱5,116,396,788 | ₱5,103,258,492 | ₱5,018,197,140 | | | |
| Non-controlling interest | (2,847,572) | (2,810,992) | (15,187,441) | | | |
| | ₱5,113,549,216 | ₱5,100,447,500 | ₱5,003,009,699 | | | |
| Basic/Diluted Earnings Per Share (Note 31) | ₱3.08 | ₱3.27* | ₱3.22* | | | |

* Restated to show the effects of stock rights and stock dividends distributed in 2014 (Note 22).

See accompanying Notes to Financial Statements.

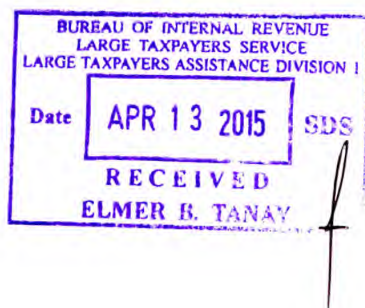


CHINA BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

| | Consolidated | | | Parent Company | | |
|--|-------------------------|-----------------|-----------------|----------------|-----------------|-----------------|
| | Years Ended December 31 | | | | | |
| | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| NET INCOME | P5,113,549,216 | P5,100,447,500 | P5,003,009,699 | P5,114,572,250 | P5,184,485,986 | P5,136,946,420 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | | | |
| Items that recycle to profit or loss in subsequent periods: | | | | | | |
| Changes in fair value of available-for- sale financial assets: | | | | | | |
| Fair value gain for the year, net of tax | 746,546,547 | 565,027,367 | 2,177,977,312 | 730,007,192 | 297,493,719 | 2,057,470,675 |
| Gains taken to profit or loss (Note 20) | (544,094,215) | (2,006,391,602) | (2,701,942,417) | (541,652,784) | (1,716,314,402) | (2,572,816,115) |
| Cumulative translation adjustment | (86,686,308) | 131,858,279 | (90,847,759) | (87,714,557) | 131,858,279 | (90,847,759) |
| Items that do not recycle to profit or loss in subsequent periods: | | | | | | |
| Remeasurement gain (loss) on defined benefit asset or liability, net of tax | (405,852,386) | 428,205,189 | 145,327,978 | (312,902,399) | 400,214,074 | 157,954,224 |
| OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX | (290,086,362) | (881,300,767) | (469,484,886) | (212,262,548) | (886,748,330) | (448,238,975) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | P4,823,462,854 | P4,219,146,733 | P4,533,524,813 | P4,902,309,702 | P4,297,737,656 | P4,688,707,445 |
| Total comprehensive income attributable to: | | | | | | |
| Equity holders of the Parent Company | P4,826,271,462 | P4,222,468,955 | P4,548,561,308 | | | |
| Non-controlling interest | (2,808,608) | (3,322,222) | (15,036,495) | | | |
| | P4,823,462,854 | P4,219,146,733 | P4,533,524,813 | | | |

See accompanying Notes to Financial Statements.

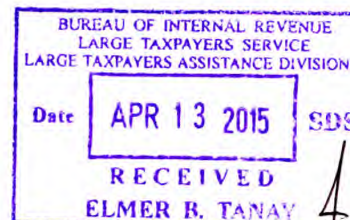


CHINA BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

| | Consolidated | | | | | | | | | |
|--|---|--|--|------------------------------|--|--|---|-----------------|--|-----------------|
| | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | |
| | Capital Stock (Note 22) | Capital Paid in Excess of Par Value (Note 22) | Surplus Reserves (Notes 22 and 27) | Surplus (Notes 22 and 27) | Net Unrealized Gains/(Losses) on Available-for- Sale Financial Assets (Note 8) | Remeasurement Gain on Defined Benefit Asset or Liability (Note 23) | Cumulative Translation Adjustment | Total | Non-controlling Interest (Note 10) | Total Equity |
| Balance at January 1, 2014 | ₱14,276,616,580 | ₱671,504,726 | ₱775,068,774 | ₱29,079,842,263 | ₱79,257,616 | ₱604,715,114 | ₱66,347,664 | ₱45,394,837,505 | ₱4,861,934 | ₱45,399,699,439 |
| Total comprehensive income for the year | - | - | - | 5,116,396,788 | 202,177,949 | (405,563,883) | (86,739,392) | 4,826,271,462 | (2,808,608) | 4,823,462,854 |
| Transfer from surplus to surplus reserves | - | - | 24,937,150 | (24,937,150) | - | - | - | - | - | - |
| Issuance of common shares (₱49.50 per share) | 1,616,098,780 | 6,383,590,181 | - | - | - | - | - | 7,999,688,961 | - | 7,999,688,961 |
| Transaction costs on the issuance of common shares | - | (67,530,603) | - | - | - | - | - | (67,530,603) | - | (67,530,603) |
| Stock dividends - 8.00% | 1,271,427,810 | - | - | (1,271,427,810) | - | - | - | - | - | - |
| Cash dividends - ₱1.00 per share | - | - | - | (1,589,271,536) | - | - | - | (1,589,271,536) | - | (1,589,271,536) |
| Balance at December 31, 2014 | ₱17,164,143,170 | ₱6,987,564,304 | ₱800,005,924 | ₱31,510,602,555 | ₱122,920,333 | ₱199,151,231 | ₱20,391,728 | ₱56,563,995,789 | ₱2,053,326 | ₱56,566,049,115 |
| Balance at January 1, 2013 | ₱12,978,742,300 | ₱671,504,726 | ₱733,440,119 | ₱26,873,535,782 | ₱1,360,625,140 | ₱177,480,174 | (₱65,510,615) | ₱42,729,817,626 | ₱8,387,430 | ₱42,738,205,056 |
| Total comprehensive income for the year | - | - | - | 5,103,258,492 | (1,439,882,756) | 427,234,940 | 131,858,279 | 4,222,468,955 | (3,322,222) | 4,219,146,733 |
| Additional acquisition of non-controlling interest | - | - | - | - | - | - | - | - | (203,274) | (203,274) |
| Transfer from surplus to surplus reserves | - | - | 41,628,655 | (41,628,655) | - | - | - | - | - | - |
| Stock dividends - 10.00% | 1,297,874,280 | - | - | (1,297,874,280) | - | - | - | - | - | - |
| Cash dividends - ₱1.20 per share | - | - | - | (1,557,449,076) | - | - | - | (1,557,449,076) | - | (1,557,449,076) |
| Balance at December 31, 2013 | ₱14,276,616,580 | ₱671,504,726 | ₱775,068,774 | ₱29,079,842,263 | ₱79,257,616 | ₱604,715,114 | ₱66,347,664 | ₱45,394,837,505 | ₱4,861,934 | ₱45,399,699,439 |
| Balance at January 1, 2012 | ₱11,798,766,800 | ₱671,504,726 | ₱678,182,490 | ₱24,506,423,787 | ₱1,885,084,757 | ₱31,808,630 | ₱25,337,144 | ₱39,597,108,334 | ₱24,689,616 | ₱39,621,797,950 |
| Total comprehensive income for the year | - | - | - | 5,018,197,140 | (524,459,617) | 145,671,544 | (90,847,759) | 4,548,561,308 | (15,036,495) | 4,533,524,813 |
| Share of non-controlling interest in Unity Bank's net assets | - | - | - | - | - | - | - | - | 99,952 | 99,952 |
| Additional acquisition of non-controlling interest | - | - | - | - | - | - | - | - | (1,365,643) | (1,365,643) |
| Transfer from surplus to surplus reserves | - | - | 55,257,629 | (55,257,629) | - | - | - | - | - | - |
| Stock dividends - 10.00% | 1,179,975,500 | - | - | (1,179,975,500) | - | - | - | - | - | - |
| Cash dividends - ₱1.20 per share | - | - | - | (1,415,852,016) | - | - | - | (1,415,852,016) | - | (1,415,852,016) |
| Balance at December 31, 2012 | ₱12,978,742,300 | ₱671,504,726 | ₱733,440,119 | ₱26,873,535,782 | ₱1,360,625,140 | ₱177,480,174 | (₱65,510,615) | ₱42,729,817,626 | ₱8,387,430 | ₱42,738,205,056 |

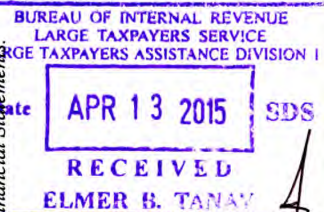
See accompanying Notes to Financial Statements.



CHINA BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY

| | Parent Company | | | | | | | |
|--|----------------------------|--|--|------------------------------|--|---|---|-----------------|
| | Capital Stock (Note 22) | Capital Paid in Excess of Par Value (Note 22) | Surplus Reserves (Notes 22 and 27) | Surplus (Notes 22 and 27) | Net Unrealized Gains/(Losses) on Available-for- Sale Financial Assets (Note 8) | Remeasurement Gain on Defined Benefit Asset or Liability (Note 23) | Cumulative Translation Adjustment | Total Equity |
| Balance at January 1, 2014 | ₱14,276,616,580 | ₱671,504,726 | ₱775,068,774 | ₱29,261,041,727 | (₱73,855,091) | ₱596,643,032 | ₱66,347,664 | ₱45,573,367,412 |
| Total comprehensive income for the year | - | - | - | 5,114,572,250 | 188,354,408 | (312,902,399) | (87,714,557) | 4,902,309,702 |
| Transfer from surplus to surplus reserves | - | - | 24,937,150 | (24,937,150) | - | - | - | - |
| Issuance of common shares (₱49.50 per share) | 1,616,098,780 | 6,383,590,181 | - | - | - | - | - | 7,999,688,961 |
| Transaction costs on the issuance of common shares | - | (67,530,603) | - | - | - | - | - | (67,530,603) |
| Stock dividends - 8.00% | 1,271,427,810 | - | - | (1,271,427,810) | - | - | - | - |
| Cash dividends - ₱1.00 per share | - | - | - | (1,589,271,536) | - | - | - | (1,589,271,536) |
| Balance at December 31, 2014 | ₱17,164,143,170 | ₱6,987,564,304 | ₱800,005,924 | ₱31,489,977,481 | ₱114,499,317 | ₱283,740,633 | (₱21,366,893) | ₱56,818,563,936 |
| Balance at January 1, 2013 | ₱12,978,742,300 | ₱671,504,726 | ₱733,440,119 | ₱26,973,507,752 | ₱1,344,965,592 | ₱196,428,958 | (₱65,510,615) | ₱42,833,078,832 |
| Total comprehensive income for the year | - | - | - | 5,184,485,986 | (1,418,820,683) | 400,214,074 | 131,858,279 | 4,297,737,656 |
| Transfer from surplus to surplus reserves | - | - | 41,628,655 | (41,628,655) | - | - | - | - |
| Stock dividends - 10.00% | 1,297,874,280 | - | - | (1,297,874,280) | - | - | - | - |
| Cash dividends - ₱1.20 per share | - | - | - | (1,557,449,076) | - | - | - | (1,557,449,076) |
| Balance at December 31, 2013 | ₱14,276,616,580 | ₱671,504,726 | ₱775,068,774 | ₱29,261,041,727 | (₱73,855,091) | ₱596,643,032 | ₱66,347,664 | ₱45,573,367,412 |
| Balance at January 1, 2012 | ₱11,798,766,800 | ₱671,504,726 | ₱678,182,490 | ₱24,487,646,477 | ₱1,860,311,032 | ₱38,474,734 | ₱25,337,144 | ₱39,560,223,403 |
| Total comprehensive income for the year | - | - | - | 5,136,946,420 | (515,345,440) | 157,954,224 | (90,847,759) | 4,688,707,445 |
| Transfer from surplus to surplus reserves | - | - | 55,257,629 | (55,257,629) | - | - | - | - |
| Stock dividends - 10.00% | 1,179,975,500 | - | - | (1,179,975,500) | - | - | - | - |
| Cash dividends - ₱1.20 per share | - | - | - | (1,415,852,016) | - | - | - | (1,415,852,016) |
| Balance at December 31, 2012 | ₱12,978,742,300 | ₱671,504,726 | ₱733,440,119 | ₱26,973,507,752 | ₱1,344,965,592 | ₱196,428,958 | (₱65,510,615) | ₱42,833,078,832 |

See accompanying Notes to Financial Statements.

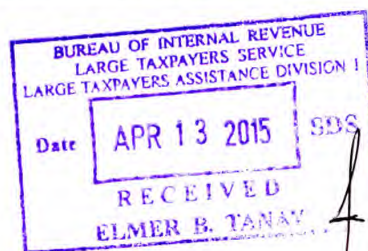


CHINA BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

| | Consolidated | | | Parent Company | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| | December 31 | | | December 31 | | |
| | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Income before income tax | ¥6,678,476,489 | ¥5,774,983,937 | ¥5,425,298,315 | ¥6,523,404,582 | ¥5,834,414,246 | ¥5,549,503,560 |
| Adjustments for: | | | | | | |
| Depreciation and amortization (Notes 11 and 12) | 923,199,525 | 752,886,033 | 825,295,807 | 630,577,477 | 595,746,442 | 620,913,478 |
| Trading and securities gain on available-for-sale financial assets (Note 20) | (544,094,215) | (2,006,391,602) | (2,701,942,417) | (541,652,784) | (1,716,314,402) | (2,572,816,115) |
| Provision for impairment and credit losses (Note 15) | 440,901,390 | 414,335,872 | 236,756,182 | 100,920,462 | 278,540,863 | 200,181,569 |
| Gain on acquisition of additional shares of an associate (Note 10) | (373,297,479) | — | — | — | — | — |
| Gain on sale of investment properties | (355,065,312) | (462,742,999) | (291,424,782) | (363,192,439) | (467,216,863) | (291,630,417) |
| Gain on bargain purchase (Note 10) | — | — | (165,885,493) | — | — | — |
| Gain on asset foreclosures and dation transactions (Note 12) | (138,556,699) | (219,470,577) | (50,538,556) | (82,305,633) | (191,126,297) | (51,837,658) |
| Gain on sale of investment in associate (Note 10) | (64,556,998) | — | — | — | — | — |
| Amortization of transaction costs | (61,854,796) | — | — | — | — | — |
| Unrealized market valuation loss (gain) on derivative assets and liabilities (Note 24) | (51,292,115) | (877,329,828) | 202,790,964 | (51,292,115) | (877,329,828) | 202,790,964 |
| Share in net losses of an associate (Note 10) | 912,243 | — | — | — | — | — |
| Changes in operating assets and liabilities: | | | | | | |
| Decrease (increase) in the amounts of: | | | | | | |
| Financial assets at FVPL | 5,793,595,992 | 2,206,817,562 | (9,499,445,508) | 2,407,081,455 | 2,206,817,562 | (9,499,445,508) |
| Loans and receivables | (37,385,287,700) | (31,031,274,375) | (44,314,185,546) | (35,121,669,666) | (25,818,525,642) | (41,675,493,491) |
| Other assets | (2,397,839,406) | 192,306,235 | 72,384,299 | (639,819,283) | 172,768,019 | (140,730,057) |
| Increase (decrease) in the amounts of: | | | | | | |
| Deposit liabilities | 463,405,773 | 82,290,962,810 | 54,863,508,126 | 1,252,780,725 | 76,757,744,130 | 51,101,255,066 |
| Manager's checks | 189,248,055 | 58,683,683 | 314,150,719 | 117,690,779 | (31,600,585) | 290,148,203 |
| Accrued interest and other expenses | (304,813,896) | (120,307,629) | 163,071,186 | (133,145,942) | (111,216,744) | 139,242,414 |
| Other liabilities | (199,380,866) | 288,882,095 | (206,093,129) | (778,486,693) | 205,798,361 | (266,807,347) |
| Net cash generated from (used in) operations | (27,386,300,015) | 57,262,341,217 | 4,873,740,167 | (26,679,109,075) | 56,838,499,262 | 3,605,274,661 |
| Income taxes paid | (565,202,082) | (495,207,289) | (397,890,351) | (487,634,327) | (477,121,886) | (370,560,842) |
| Net cash provided by (used in) operating activities | (27,951,502,097) | 56,767,133,928 | 4,475,849,816 | (27,166,743,402) | 56,361,377,376 | 3,234,713,819 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Additions to bank premises, furniture, fixtures and equipment (Note 11) | (1,063,903,692) | (1,165,241,076) | (672,250,956) | (895,274,168) | (994,536,029) | (559,705,134) |
| Proceeds from disposal of bank premises, furniture, fixtures and equipment (Note 11) | 304,303,020 | 10,528,796 | 173,162,335 | 325,409,602 | 3,715,622 | 34,464,243 |
| Proceeds from sale of investment properties | 1,449,957,931 | 1,183,655,279 | 894,822,219 | 954,912,729 | 1,138,047,387 | 903,152,520 |
| Acquisition through business combination - net of cash acquired (Note 10) | 4,051,917,132 | — | 285,009,741 | — | — | — |
| Additions to equity investments (Note 10) | — | — | — | (4,089,200,038) | — | (401,365,643) |
| Proceeds from sale of investments in associates (Note 10) | 283,599,000 | — | — | — | — | — |
| Purchases of: | | | | | | |
| Held-to-maturity financial assets | (696,782,584) | — | (919,066,409) | — | — | (919,066,409) |
| Available-for-sale financial assets | (22,893,153,399) | (54,203,924,571) | (67,188,900,188) | (22,211,530,430) | (51,487,632,563) | (62,145,836,118) |
| Proceeds from sale/maturity of: | | | | | | |
| Held-to-maturity financial assets | 804,157,154 | 542,686,584 | 1,214,677,836 | 768,801,386 | 542,736,566 | 1,131,497,835 |
| Available-for-sale financial assets | 29,570,639,838 | 51,992,306,306 | 73,472,915,046 | 29,062,490,255 | 49,266,834,500 | 68,186,241,260 |
| Net cash provided by (used in) investing activities | 11,810,734,400 | (1,639,988,682) | 7,260,369,624 | 3,915,609,336 | (1,530,834,517) | 6,229,382,554 |

(Forward)

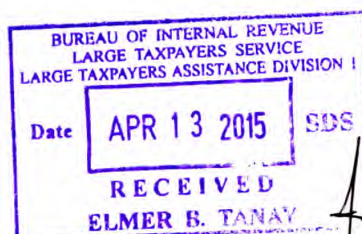


| | Consolidated | | | Parent Company | | |
|---|------------------|-------------------|------------------|------------------|-------------------|------------------|
| | December 31 | | | | | |
| | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| Payments of bills payable | (P8,480,028,188) | (P44,688,753,580) | (P4,190,278,412) | (P7,456,841,342) | (P44,688,753,580) | (P4,190,278,412) |
| Availments of bills payable | 4,629,728,323 | 49,461,140,132 | 6,075,613,038 | 4,335,247,656 | 49,461,140,132 | 6,075,613,038 |
| Payment of subordinated debt (Note 17) | (525,000,000) | - | - | - | - | - |
| Proceeds from issuance of common shares (Note 22) | 7,932,158,358 | - | - | 7,932,158,358 | - | - |
| Payments of cash dividends (Note 22) | (1,589,271,536) | (1,557,449,076) | (1,415,852,016) | (1,589,271,536) | (1,557,449,076) | (1,415,852,016) |
| Acquisitions of non-controlling interest (Note 10) | - | (203,274) | (1,365,643) | - | (203,274) | - |
| Payment of subscription payable | - | - | - | - | - | (252,464,431) |
| Net cash provided by financing activities | 1,967,586,957 | 3,214,734,202 | 468,116,967 | 3,221,293,136 | 3,214,734,202 | 217,018,179 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | | | |
| | (14,173,180,740) | 58,341,879,448 | 12,204,336,407 | (20,029,840,930) | 58,045,277,061 | 9,681,114,552 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | | | | | |
| Cash and other cash items | 7,281,640,616 | 6,160,371,861 | 6,050,366,433 | 7,035,251,105 | 5,996,785,687 | 5,902,040,106 |
| Due from Bangko Sentral ng Pilipinas | 78,968,132,522 | 40,659,682,959 | 30,122,324,047 | 75,678,312,048 | 37,597,455,540 | 29,571,232,355 |
| Due from other banks | 23,885,538,128 | 4,527,376,998 | 2,745,404,931 | 23,215,575,357 | 4,289,620,222 | 2,729,474,436 |
| Securities purchased under resale agreements | - | 446,000,000 | 671,000,000 | - | - | - |
| | 110,135,311,266 | 51,793,431,818 | 39,589,095,411 | 105,929,138,510 | 47,883,861,449 | 38,202,746,897 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | | | | | |
| Cash and other cash items | 10,734,059,421 | 7,281,640,616 | 6,160,371,861 | 9,295,129,845 | 7,035,251,105 | 5,996,785,687 |
| Due from Bangko Sentral ng Pilipinas | 67,451,647,883 | 78,968,132,522 | 40,659,682,959 | 60,543,866,682 | 75,678,312,048 | 37,597,455,540 |
| Due from other banks | 17,552,823,222 | 23,885,538,128 | 4,527,376,998 | 15,836,701,053 | 23,215,575,357 | 4,289,620,222 |
| Interbank loans receivable | 223,600,000 | - | 446,000,000 | 223,600,000 | - | - |
| | P95,962,130,526 | P110,135,311,266 | P51,793,431,818 | P85,899,297,580 | P105,929,138,510 | P47,883,861,449 |

OPERATING CASH FLOWS FROM INTEREST

| | Consolidated | | | Parent Company | | |
|-------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | December 31 | | | | | |
| | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| Interest paid | P4,304,419,584 | P4,314,899,682 | P4,923,244,739 | P3,159,848,440 | P4,007,533,566 | P4,704,185,908 |
| Interest received | 18,059,567,395 | 14,016,511,091 | 13,087,624,009 | 14,523,546,701 | 13,283,813,369 | 12,679,491,185 |

See accompanying Notes to Financial Statements.



APPENDIX D - TOP BANKS OF 2014



Philippine Commercial Banking System Highlights as of 1Q14

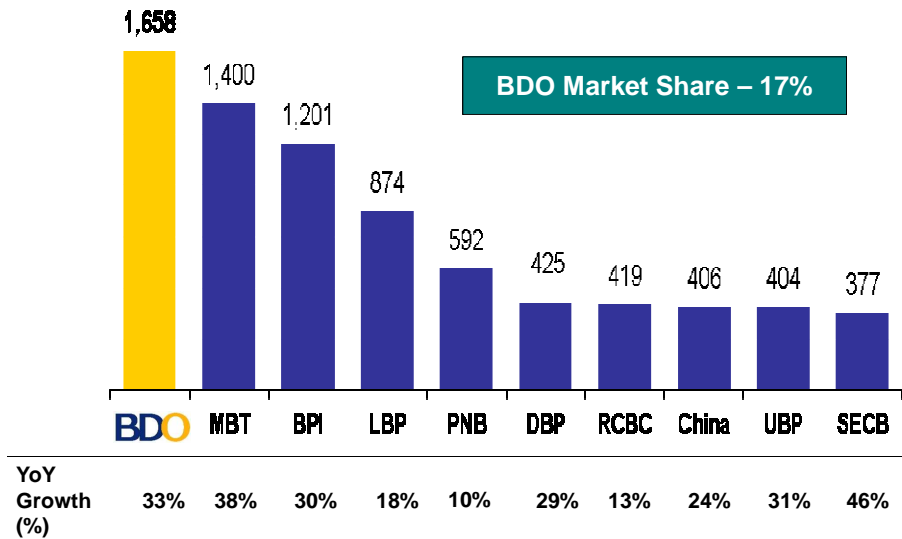
**Based on:
Published Consolidated Statements of Condition**

Legal Disclaimer

None of the information contained in this report constitutes a solicitation, offer, opinion, or recommendation by BDO Unibank, Inc. ("BDO") to buy or to sell any financial instrument or to provide any investment advice regarding the profitability or suitability of any financial instrument. The information in this publication is based on carefully selected sources believed to be reliable but we do not make any representation as to its accuracy or completeness. Your use of the information stated herein shall be at your sole risk and BDO shall not be directly or indirectly liable, in any way, for any inaccuracies, errors or omissions in the report, including without limiting to any quotes or financial data contained therein. Any opinions/data herein reflected may be subject to change without prior notice.

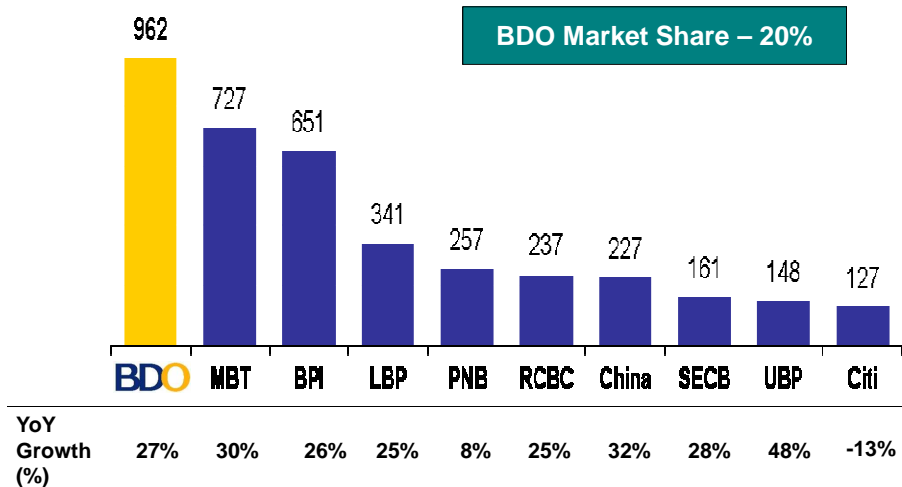
Assets

- Consolidated; in Php billions -



Loans and Receivables – net*

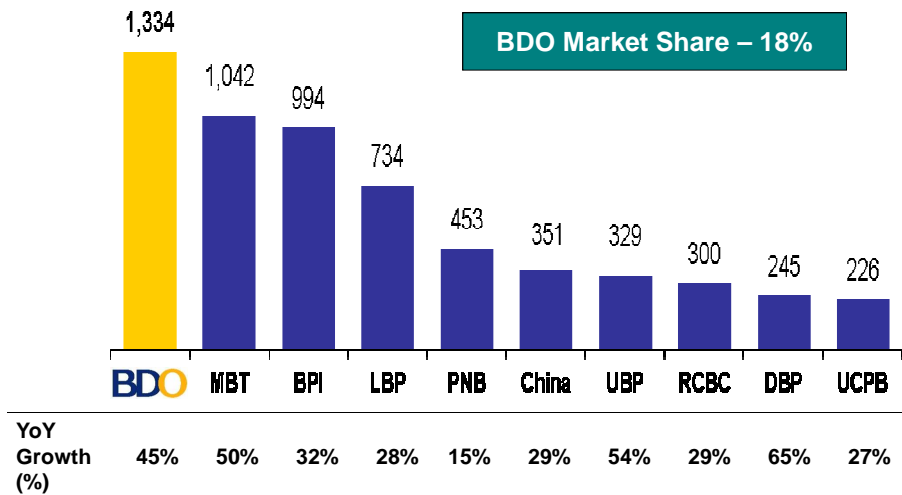
- Consolidated; in Php billions -



* Consists of Loans to BSP, Interbank Loans Receivable, Loans and Receivables-Others, and Loans and Receivables arising from RA/CA/PR/SLB

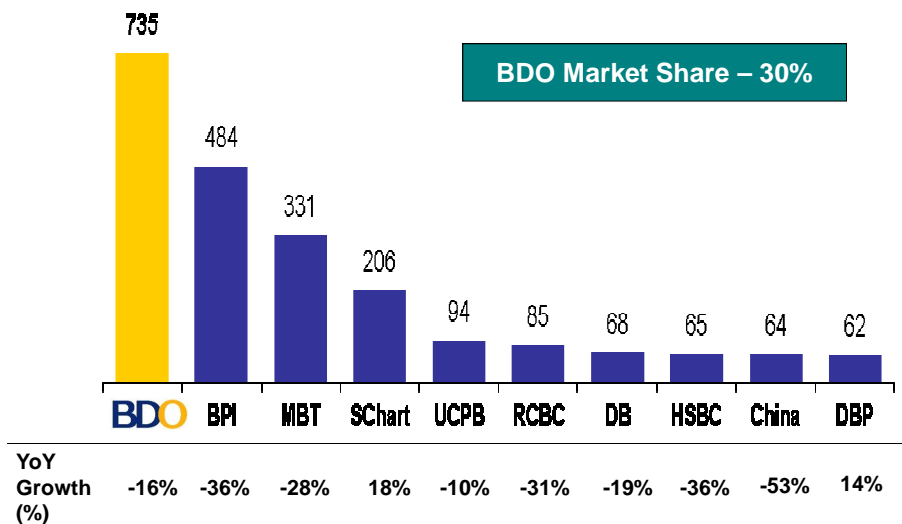
Deposits

- Consolidated; in Php billions -



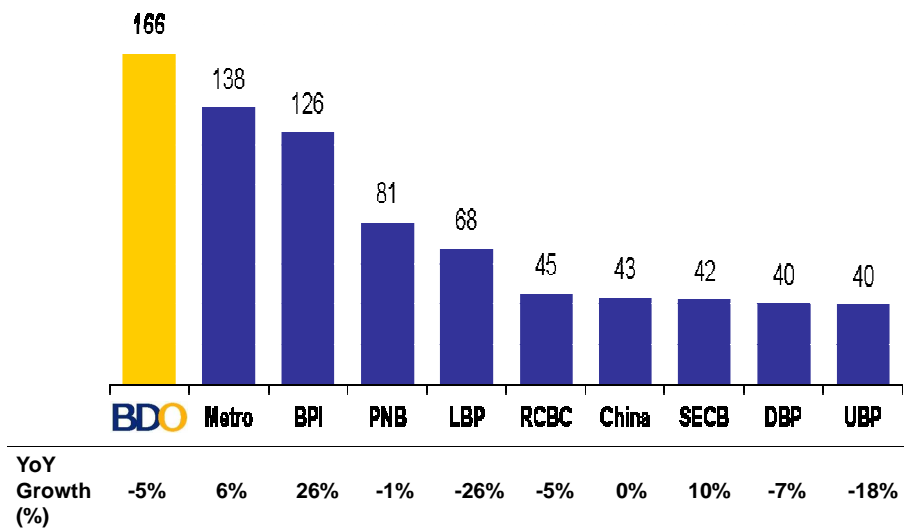
Assets Under Management

- Consolidated; in Php billions -



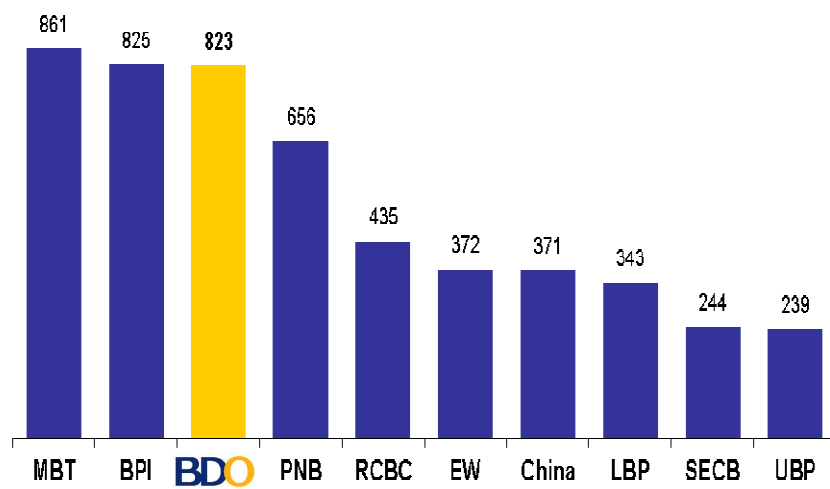
Total Capital Accounts

- Consolidated; in Php billions -



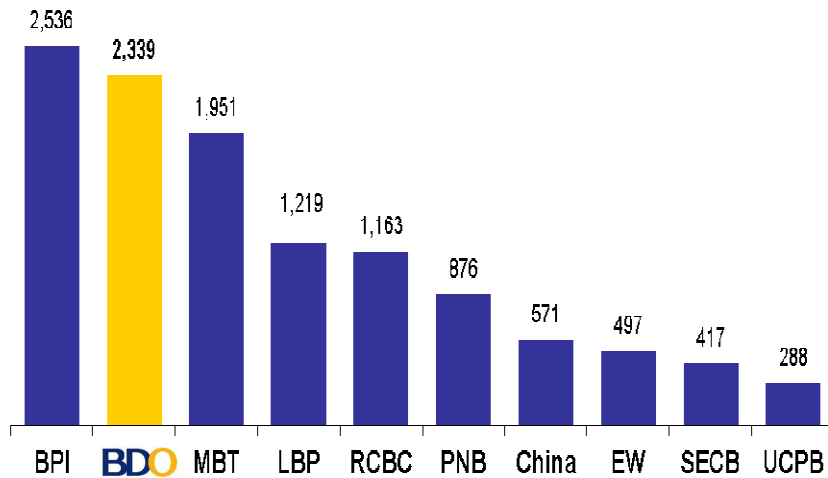
Operating Branch Network

- Consolidated -



ATMs

- Consolidated -



List of Banks

| Symbol Used | Full Name |
|-------------|---|
| BDO | BDO Unibank, Inc. |
| BPI | Bank of the Philippine Islands |
| China | China Banking Corporation |
| Citi | Citibank N.A. |
| DB | Deutsche Bank AG |
| DBP | Development Bank of the Philippines |
| EW | East West Banking Corporation |
| HSBC | The Hongkong and Shanghai Banking Corporation Limited |
| LBP | Land Bank of the Philippines |
| MBT | Metropolitan Bank and Trust Company |
| PNB | Philippine National Bank |
| RCBC | Rizal Commercial Banking Corporation |
| SECB | Security Bank Corporation |
| SChart | Standard Chartered Bank |
| UBP | Union Bank of the Philippines |
| UCPB | United Coconut Planters Bank |



Thank you.

We find ways®

APPENDIX E - SELECT PRODUCTS AND SERVICES OF SECURITY BANK

Security Bank Products and Services

A. ACCOUNTS

EASY ACCOUNT

What is it?

Easy Account is Security Bank's basic and simplest savings account designed for everyone's use. Features include:

A debit and an ATM MasterCard in one, it's your everyday partner in everything that you do: shopping, dining, paying bills, and more.

Enjoy exclusive promos from our partner merchants.

Freely transact and monitor your account anytime and anywhere through Security Bank Online.

Unlimited deposit.

Enjoy special privileges including free ATM transactions, waived fees, and many more when you upgrade to Gold!

| | |
|---------------------------------|----------|
| Opening Balance | P5,000 |
| Maintaining Balance | P5,000 |
| Balance to Earn Interest | P100,000 |
| Interest Rate* | 0.10% |



Low maintaining balance

Encourages you to save as low as you can, right now!



Debit and MasterCard in one

Designed so you can freely transact online, in ATMs, and in POS terminals both local and abroad!



For your everyday essentials

Its easy and wide access to alternative channels makes it perfect for your everyday spend



Convenient account opening

Walk away with your Everyday Card and SB Online account on the same day you opened it!

ALL ACCESS ACCOUNT

What is an All Access?

All-Access is a checking account that goes with a passbook, checkbook, and Everyday Debit/ ATM MasterCard. It allows you to:

Easily access funds for daily business or personal needs

Instantly transact, pay bills, and monitor your account

Enjoy exclusive privileges including waived fees, FREE ATM transaction, preferential loan rates and more when you upgrade to Gold.

| | |
|----------------------------|---------|
| Opening Balance | P5,000 |
| Maintaining Balance | P25,000 |
| Interest rate* | 0.20% |



Access all banking essentials

Account features include passbook, checkbook, and Everyday MasterCard



Customizable features

You can choose the features of your account



Convenient account opening

Open an account with just one primary valid ID and walk away with an Everyday MasterCard



Internet and mobile banking

Monitor and manage your account wherever, whenever

E SECURE SAVINGS

What is eSecure Savings?

eSecure Savings is a higher earning savings account designed for existing Peso CASA clients.

Higher interest rates allow your finances to grow quickly.

Convenient online account opening and management can be done anywhere through Security Bank Online.

Open up to 10 accounts and monitor progress for each of your savings goals.

eSecure Savings Rates

| Tier | Rates |
|-----------------|--------|
| 5,000–49,999 | 0.500% |
| 50,000–99,999 | 1.000% |
| 100,000–999,999 | 1.100% |
| 1M–4.999M | 1.200% |
| 5M and UP | 1.200% |

*for more than one withdrawal within a month,
the interest rate of your eSecure Savings account will be at 0.25%

Features and Benefits



Tiered interest rates are higher than regular savings accounts



Set up a recurring payment and deposit schedule



Open up to ten (10) online savings accounts



Completely manage your account online

TIME DEPOSIT

What is Time Deposit?

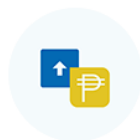
Time Deposit is a fixed term investment account that allows you to grow your money with higher interest rates compared to a regular savings account.

What are the options?

Security Bank currently offers four types of Time Deposits with different requirements and benefits to fit your needs.



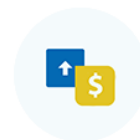
Peso time deposit



Investment savings



Dollar time deposit



Secure dollar optima

Four main types to choose from

| | Peso time deposit | Investment savings | Dollar time deposit | Secure dollar optima |
|--------------------------------|--|--|---|--|
| Balance requirement | PHP 100,000 | PHP 100,000 | USD 1,000 | USD 20,000 |
| Choose from place terms | 30, 60, 90, 180 days and 1 year | 30, 60, 90, 180 days and 1 year | 30, 60, 90, 180 days and 1 year | 1, 2 and 3 years |
| Features | Have the freedom to choose from placement terms that best suit your needs. | For deposits of PHP 100,000 and above, enjoy better rates and rewards. | Our low requirements and flexible terms extend to the US dollar currency too! | Earn higher interest for placements of 1 year and above. |

*Interest rates are based on prevailing daily market rates



High interest with no lock in

Grow your money faster & access your account on demand



Funds are available 24/7

You can access your cash anytime through ATMs, online banking & over-the-counter



Manage account anytime

Easily manage your account with Security Bank Online Banking & Mobile App



Schedule regular transfers

You can schedule recurring transfers from any Security Bank account

BUILD UP SAVINGS

Features & Benefits

- Reasonable opening & maintaining balance
- Up to 4x higher interest than traditional savings account
- Access your money any time - No lock in period
- Unlimited deposit
- Withdraw up to 3x in a quarter

Is this for you?

This account is perfect for

Ambitious savers - grow your money faster!

Savers who want to start saving for their long term goals

Savers who want higher rates but don't want to be locked-in

Regular Build Up Savings

| | |
|--------------------------|---------|
| Opening Balance | P5,000 |
| Maintaining Balance | P5,000 |
| Balance to Earn Interest | P10,000 |
| Interest Rate* | 0.50% |

Premium Build Up Savings

| | |
|--------------------------|---------|
| Opening Balance | P50,000 |
| Maintaining Balance | P50,000 |
| Balance to Earn Interest | P50,000 |
| Interest Rate* | 1.00% |



High interest with no lock in

Grow your money faster & access your account on demand



Funds are available 24/7

You can access your cash anytime through ATMs, online banking & over-the-counter



Manage account anytime

Easily manage your account with Security Bank Online Banking & Mobile App



Schedule regular transfers

You can schedule recurring transfers from any Security Bank account

THIRD CURRENCY ACCOUNT

What is it?

Our Third Currency accounts are non-interest bearing savings accounts that keep your foreign currency safe and secure. They can be opened using the following legal tenders:

- Euro (EUR)
- Hong Kong Dollar (HKD)
- Singapore Dollar (SGD)
- Australian Dollar (AUD)
- Canadian Dollar (CAD)
- Chinese Yuan (CNY/RMB)
- Japanese Yen (JPY)
- Korean Won (KRW)

Opening Balance
Equivalent to USD 500

Maintaining Balance
Equivalent to USD 500

Foreign Exchange Rate

| 3rd Currency Forex | Buying | Selling |
|--------------------|----------|----------|
| EUR to PHP | P49.4020 | P53.2708 |
| HKD to PHP | P5.7695 | P6.3168 |
| SGD to PHP | P31.4660 | P34.7853 |
| AUD to PHP | P31.6158 | P34.4468 |
| CAD to PHP | P31.9141 | P34.4133 |
| CNY to PHP | P6.9560 | P7.4987 |
| JPY to PHP | P0.3826 | P0.4169 |
| KRW to PHP | P0.0371 | P0.0408 |

As of January 22, 2016 8:40AM



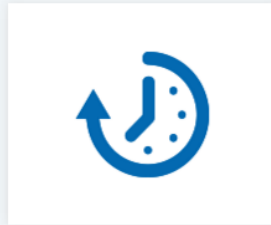
Passbook Savings

Keep track of your dollar transactions using your Security Bank passbook.



Withdraw in PHP or 3rds

Choose between withdrawing your money in pesos or your chosen foreign currency.



No Dormancy Charge

Leave your foreign currency account for an indeterminate period of time, without any dormancy fee!



Convenient Account Opening

Open your foreign currency account in any of our 200+ branches! Just bring 1 primary ID.

US DOLLAR ACCOUNT

What is USD Savings?

Our US Dollar Savings Account keeps your USD safe and protected while offering you one of the highest interest rates in the industry. This account is for those who:

- Travel frequently,
- Make or receive dollar payments,
- Transact internationally for business or leisure, or
- Want to maximize the strength of the dollar exchange rate.
- Whatever it may be, take advantage of Security Bank's USD account today.

USD to PHP Forex

Buying
P47.60

Selling
P47.90

As of January 22, 2016 8:40AM

| | |
|---------------------|-----------------|
| Opening Balance | USD 500 |
| Maintaining Balance | USD 500 |
| Interest Rate | 0.25% per annum |



Passbook Savings

Keep track of your dollar transactions using your Security Bank passbook.



Withdraw in PHP or USD

Get to choose how you're going to withdraw your money—either in Philippine Pesos or US Dollars.



Fixed Interest

Your dollar account starts earning interest (0.25% per annum) the moment you open it.



Convenient Account Opening

Open your dollar account in any of our 200+ branches! Just bring 1 primary ID.

ISIC Debit MasterCard

What is ISIC

Debit MasterCard?

- ISIC Debit MasterCard is an ID, ATM Debit and privilege card all in one.
- Offers a secure way to manage finances through Security Bank Online.
- Earn interest with a balance of P5,000 and grow your savings.
- Enjoy student discounts from ISIC benefit partners in the Philippines and abroad.

ISIC Rates

| | |
|--------------------------|--------|
| Opening Balance | P500 |
| Maintaining Balance | P2,000 |
| Balance to Earn Interest | P5,000 |
| Interest Rate | 0.25% |



Debit MasterCard

Accepted in all Mastercard ATMs and partner merchants globally



Interest Earning Account

Begin earning 0.25% interest with a balance of P5,000 and grow your savings



Training and Courses

Enjoy online international training programs and discounts on short courses



UNESCO Endorsed

Recognized by universities, academic institutions and student unions worldwide

CHILDREN'S ACCOUNT

Why open a Junior One Account?

With an interest rate higher than our regular rate, this account is specifically catered to help build a better future for your young ones.

You can start early on with a P100 opening balance requirement.

Comes with a passbook and/or an Everyday Debit MasterCard.

Is this for you?

Our Junior One Account is solely for children 18 y.o. and below

| | |
|---|--------|
| Opening Balance | P100 |
| Minimum Balance to Earn Interest | P4,000 |
| Interest Rate* | 0.5% |



Low opening balance

For as low as P100, you can easily get started on building your child's financial needs.



Interest Earning Account

Starting at P4,000, earn 0.50% interest and grow your child's savings early on.



Debit and MasterCard in one

Designed so you can freely transact online, in ATMs, and in POS terminals both local and abroad!



Convenient account opening

Walk away with your Everyday Card and SB Online account on the same day you opened it!

BUSINESS PLUS

With this BusinessPlus account, you'll definitely experience your business with a plus!

Avail any of the following

- ✓ BusinessPlus Debit Card
- ✓ Checkbook

- ✓ Passbook
- ✓ Digibanker Cash Management
- ✓ 10 free Payroll Accounts

- ✓ Online Payroll Disbursement
- ✓ CheckRight check-cutting software
- ✓ POS Terminals*



Access to all banking essentials

Have everything in one account: passbook, checkbook, Everyday MasterCard, and access to alternative channels



Bundled perks

Enjoy access to specialized bank products like CheckRight and CheckProtector, and preferential rates on loans, fx and investment products



BusinessPlus debit card

Issue up to 5 debit cards linked to your account and customize their monthly limits to your needs!



DigiBanker Auto-enrollment

Enjoy automatic enrollment to our online cash management facility: Digibanker



3 months of no minimum balance

Your minimum balance fee for the first 3 months is waived, to give you the opportunity to build up the balance for your account!



Exclusive deals and discounts

Avail of discounts and deals from an exclusive network of B2B partner merchants with your BusinessPlus debit card

GOLD CIRCLE



Free ATM withdrawals

Never worry about not having access to your funds. Enjoy unlimited transactions from any ATM in the Philippines without any charges.



Zero Fees

Your fees for bank certification and statements on demand, waived! We will also provide you with a complimentary checkbook every year.



VIP Queue

Waiting in long lines for your bank transactions is now over! We know your time is of value, so we've set apart a VIP lane just for you.



Customer Advisor

Our Customer Advisors are here to assist you end-to-end for your banking needs.



Discounts and Deals

Discounts and Deals

How to Upgrade to Gold



1. Maintain balance

| | |
|----------------------------|-------------|
| Average daily balance | 100 000 PHP |
| Total relationship balance | 500 000 PHP |



2. Receive invitation

Qualified Gold Circle members will be handed an invitation letter.



3. Start your membership

Sign and submit the invitation letter to any Security Bank branch near you.

Get the best offers for products and services



Loans

Get preferential rates for your pre-qualified house, auto, and personal loans



Credit Card

Gain lifestyle experiences with Security Bank MasterCard and Diners Club credit cards.



Wealth Management Services

Get more in-depth financial advice, from our award winning team of financial experts.



Term Deposit

Enjoy preferential rates when you avail any of our Term Deposit products.

B. INVESTMENTS

UITF

What is a Unit Investment Trust Fund (UITF)?

A Unit Investment Trust Fund (UITF) is an open-pooled trust fund, which is operated and administered by a trust entity. Anyone can participate by purchasing units of participation in the fund. Typically, if an individual or corporation does not have the time or knowledge to devote to actual stock trading, a UITF is a viable investment option as it lets professionals manage the fund through investing in financial instruments such as securities, bonds, and equities.

Why should you invest in UITFs?



Diversification

Investments (and risk) are spread across various asset baskets industrywide.



Liquidity

Investors can subscribe & redeem on any banking day.



Affordability

Investors can start investing in UITFs with just P10,000.



Professional Fund Management

Seasoned fund managers constantly monitor markets for opportunities.



Transparency

Investors can check the value of their investment daily with NAVPU.



Regulated Product

Management and regulation of UITFs are governed by the Bangko Sentral ng Pilipinas.

FIXED INCOME SECURITIES

| | Product | Issuer | Term | Interest payment |
|---|-----------------------------------|--|----------------------|-----------------------------|
|  | Treasury Bills (T-Bills) | Philippine government | 91, 182 and 364 days | Advance interest ; Discount |
|  | Retail Treasury Bonds (RTBs) | Philippine government | 3–25 years | Quarterly |
|  | Fixed Rate Treasury Notes (FXTNs) | Philippine government | 3–25 years | Semi-annually |
|  | Peso Corporate Bonds | SEC-registered Philippine corporation | 5–15 years | Quarterly or Semi-annually |
|  | Dollar Sovereign Bonds (USD) | Philippine or other sovereign government | 5–25 years | Semi-annually |
|  | Dollar Corporate Bonds (USD) | Philippine or foreign corporation | 5–25 years | Semi-annually |

INVESTMENT MANAGEMENT

What is an Investment Management Account?

Investment Management Account refers to the management of assets of individual and corporate clients. The assets together with all the income generated will be returned to the client as instructed.

- SBC – Trust, as Investment Manager designs and implements investment strategies suited to client’s specific requirements.
- Disposition of funds may be subject to full or limited discretion of the Bank.

Key benefits

- Have seasoned investment managers design and implement investment strategies to suit your specific requirements
- Be an active participant; direct the nature of your investments with our DIMA option



Regular IMA

An arrangement wherein the client, whether individual or corporate, gives the Trust Division full discretionary authority in the management of its funds.



Directional IMA (DIMA)

A term arrangement (short-to long-term) wherein the client directs SBC – Trust on where to invest his/its funds and the specified terms and conditions.

BANCASSURANCE

In partnership with FWD, Security Bank offers traditional & investment-linked life insurance products to cater to customer’s financial needs.

Why should I get a life insurance plan?



Long Term Investment

Save for your retirement.



Child's Education

Achieve your child's dreams.







Family Protection

Secure your family's needs.



Emergencies

Cover yourself on emergencies.

| | Investment-linked | | | Traditional |
|-----------------|--|--|---|---|
| |  <p>Set for Life VUL* <i>Flexible, easy payments, with benefits the way you want them!</i></p> |  <p>All Set VUL* <i>Pay once and enjoy all the benefits you need!</i></p> |  <p>All Set Higher VUL* <i>Make your money work for your future</i></p> |  <p>Fight Plan <i>Fight the Big C in easy terms</i></p> |
| Minimum Premium | PHP 18,000 per year! (Or as low as P1,500 per month) | PHP 100,000 | PHP 1,000,000 | as low as P8,000 per year |
| Payment Terms | 5 or 10 years | One-time | One-time | 5 or 10 years |
| Coverage | Up to 100 years old | Up to 100 years old | Up to 100 years old | 15 years from issuance |
| Basic Features | <ul style="list-style-type: none"> • Investment linked • Loyalty Bonus • Provides flexible options to let you maximize your returns & benefits • Riders (add on) | <ul style="list-style-type: none"> • Investment linked • Loyalty Bonus • Added guaranteed insurability for eligible applicants • Riders (add on) | <ul style="list-style-type: none"> • Investment linked • No premium charges – All funds are invested • No medical exam required • Loyalty Bonus | <ul style="list-style-type: none"> • Financial support upon diagnosis of any form of cancer • Easy application • Up to P2M benefit |

*Variable Unit-Linked (VUL)

ADD-ON BENEFITS (Available Only for All Set and Set for Life Plans)



Accidental Death Benefit

Get benefits in case of accidental death. If it occurs on a Philippine Public holiday, get thrice the benefit.



Hospital Cash Benefit

Guaranteed amount for each day that you are confined. If ICU confinement, get twice the benefit.



Critical Illness Benefit

Get one-time payment on any of the 38 defined illnesses (e.g. cancer, stroke, heart attack, renal failure).



Waiver of Premium Benefit³

You are covered in case of death, permanent disability or if found to have any of the 38 defined illnesses.

What makes FWD's products special?



Tailored for your needs

Plans are matched with your financial needs – bringing your dreams within reach.



Flexible & Customizable

Choose from a range of add-ons to enhance your life insurance coverage.



Insurance+investment plan

With VUL plans, your money is invested while keeping you covered for life.



Easy on the pocket

Plans are affordable – fits within your budget



FWD Life Insurance Corporation (“FWD Life”) is the first life insurance company licensed by the Insurance Commission of the Philippines under the new Insurance Code. FWD launched its commercial operations in September 2014.

FWD Group spans Hong Kong & Macau, Thailand, Indonesia and the Philippines, offering life and medical insurance, employee benefits, and general insurance across a number of its markets. Established in Asia in 2013, FWD is the insurance business arm of investment group, Pacific Century Group.

FWD is focused on creating fresh customer experiences, with easy-to-understand products, supported by leading digital technologies. Through this customer-led approach, FWD will achieve its vision to become the leading pan-Asian insurer that changes the way people feel about insurance.

SB CAPITAL

These are investments sold to the public by corporations and institutions with the objective of raising funds for business operations and expansion.

About SB Capital

A wholly-owned subsidiary by Security Bank, SB Capital positions itself as one of the leading investment houses that provides exceptional insights, innovative market solutions alongside outstanding execution to its clients. SB Capital is also a recognized leader in the issue management, underwriting and distributions of IPOs, perpetual preferred shares, public bonds as well as the arrangement of project finance and advise on mergers and acquisitions.

Since its founding in 1995, SB Capital has marked its presence in major capital raising activities with top conglomerates in the country. Since 2010, SB Capital has entered into an unprecedented growth and

continues to strive in providing best-in-class services as evidenced by numerous commendations and acknowledgments from international award-giving bodies.

Current Offerings

DMCI Homes

Incorporated in 1995, DMCI Homes is a wholly-owned subsidiary and the housing arm of DMCI-Holdings, Inc. ("DMCI-HI"), a leading conglomerate in the Philippines with interests in construction, real estate, power, water, mining and toll roads. Its residential projects enjoy the extra advantage of DM Consunji Inc.'s almost six-decades of engineering expertise, translating to world-standard craftsmanship, efficiency that generates savings for customers, and on-time delivery in the very competitive construction and development industry.

As the country's premier triple-A builder/developer of premium quality, urban-friendly, serviced communities for young families, DMCI Homes continues to launch projects strategically located in fast-growing cities. As of date, DMCI Homes has a portfolio of 55 projects.

Tranche A

Tenor: 36 months

Min. Amount: P5,000 per month

Denominations: P5,000

Tranche B

Tenor: 60 months

Min. Amount: P5,000 per month

Denominations: P5,000

Tranche C

Tenor: 3 years

Min. Amount: P180,000 (one time)

Denominations: P10,000

Why Invest in Capital Market Products?



Competitive Return

Better yield than traditional bank products



Diversification

Maximizing return by allocating investments through a myriad of financial instruments (commercial papers, corporate bonds, equities)



Direct Investment

Entitles investors an ownership stake in companies with possible high prospects of growth

C. LOANS

HOME LOAN

What our borrowers say



I was able to apply for my housing loan when I was in Dubai. I submitted it all online and didn't have to print anything!

Anthony D.
Dubai, UAE



Applied for a housing loan with Security Bank to buy a new house for our growing family. Got approved for a good loan amount to buy our new house.

Luis M.
Sta. Rosa, Laguna

At A Glance

Take a look at what we can offer:

| | |
|--------------------------------------|------------------------------|
| Loan Amount | Up to 90% of appraised value |
| Payment Terms | Up to 20 years |
| Joint Gross Monthly Income (minimum) | P50,000 |
| Approval Time | 5 banking days |
| Minimum Loan Amount | P1,000,000 |

What can you do with Security Bank housing loan?



Buy

Get the keys to a home you can call your own. Let Security Bank help you.



Construct

Your plan. Your design. Make your dream home a reality with a Security Bank!



Renovate

Give your home the makeover it deserves


Pay on your own terms



Fantastic Elastic




Maximum flexibility at no extra cost. Pay more when you have extra, pay less when your budget is tight




Buy

Get the keys to a home you can call your own. Let Security Bank help you.




Construct

Your plan. Your design. Make your dream home a reality with a Security Bank!



Renovate


Give your home the makeover it deserves



Fantastic Elastic


Maximum flexibility at no extra cost. Pay more when you have extra, pay less when your budget is tight

+




Refinance

Are you paying high interest rates with another bank? See how much you can save by switching to Security Bank!



Home Equity


Unlock the value of your property with a housing loan and get extra cash.




Regular

Fixed monthly amortization payments of principal and interest


Get your housing loan in 4 easy steps




Decide how much you can afford [by using our calculator](#)



Choose the loan that suits your needs



Complete the application and checklist. Apply [online](#) or at your nearest branch



Get an approval as fast as 5 days!

Housing Loan Calculator



You are eligible for a loan amount of

8,000,000 PHP

for a property worth 10,000,000 PHP

2,000,000 PHP 85,833 PHP

Down payment required Monthly payment

Did you know? With your level of income, you can actually afford a property worth 11,650,482 PHP?

What are the rates?

Lowest Rates in the market!

Enjoy terms that will make you feel at home with low interest rates starting at 5.25% and fixed for 1 year.

| | 1 year | 2-3 years | 4-5 years | 6-10 years | 11-15 years |
|----------------------|--------|-----------|-----------|------------|-------------|
| Regular Housing Loan | 5.25% | 6.25% | 7% | 8% | 9% |
| Home Equity Loan | 6.25% | 7.25% | 8% | 9% | 10% |

Fixing period is how long you want to lock in your interest rate.

Eligibility & Requirements

- At least 21 years old, but not more than 65 years old upon loan maturity
- Earning a combined monthly income of Php 50,000
- Has been continuously employed for at least 2 years
- For the self-employed, must be operating a legitimate and profitable business for the last 3 years

Loan up to 80% of your desired property!

| | |
|----------------------------|------------------------|
| New House & Lot | 80% of appraised value |
| Townhouse | 80% of appraised value |
| Duplex | 80% of appraised value |
| Condominium | 80% of appraised value |
| Second Home/Investment Use | 70% of appraised value |
| Vacant Lot | 70% of appraised value |

How to apply?

Start living in your new home with 8 simple steps!

1. Apply through:
 - A. Accredited Developers
 - B. [Online](#)
 - C. Download [Home Loan Application Form](#) together with the requirements and submit at a branch near you.
2. Receive SMS on Application Status
3. Confirm Approval Details via email
4. Sign loan documents
5. Open a Security Bank account
6. Pay bank charges
7. Submit documents for loan release
8. Move in to your new home

Fantastic Elastic Housing Loan

What are my payment options?

Fantastic Elastic is a flexible payment option that you can choose for your housing loan, aside from the usual regular fixed monthly payment of principal and interest. Only Security Bank gives you the flexibility to choose from 2 modes of payments:

- 1 Regular Monthly Amortization: fixed payment of principal and interest
- 2 Fantastic Elastic: customer can make overpayments and underpayments on the loan

What is a Fantastic Elastic housing loan?

Under this payment option, you can make overpayments (excess payments) and underpayments on your housing loan, with no extra charges!

What is the maximum amount of overpayments that I can make under this payment option?

You can overpay up to 25% of the loan amount every year.

How do I repay my loan?

For Fantastic Elastic, this will be via auto-debit arrangement from Security Bank regular checking account (with no interest), dedicated solely for your housing loan monthly payments. This shall be called your Fantastic Elastic sweep account. Upon your due date, all outstanding balances on this account shall be debited (swept to zero).

I have an existing Security Bank Checking/Savings account that I use for my regular transactions, can I use this as my Fantastic Elastic sweep account?

No. Since the account will be fully debited (swept to zero) on due date, funds in your working account

intended for other transactions aside from your housing loan payment will also be debited. It would be best to open an account dedicated solely for your housing loan monthly payments under Fantastic Elastic housing loan.

Won't my Fantastic Elastic Sweep account incur charges if they fall below minimum maintain balance?

No, for this type of account, there is no maintaining balance.

What will be my due date under Fantastic Elastic housing loan?

You may choose any due date.

I'm applying for a construction loan. Can I avail of Fantastic Elastic housing loan?

- Fantastic Elastic housing loan is not applicable for construction loans. Your application shall be endorsed under regular payment type. However, after final loan release.
- Aside from this, all other housing loan purposes, including home equity and business mortgage loans can avail of Fantastic Elastic.

How do I make overpayments?

Just transfer your desired amount of overpayment to your Fantastic Elastic sweep account. Upon due date, the account will be fully debited. Any amount debited in excess of your regular monthly amortizations shall be applied as overpayment, and will be applied to your principal directly.

When can I make underpayments?

If you have made at least one overpayment, you can already make underpayments on your next monthly amortization! Underpayments can be up to the amount of the total overpayments, but maximum of 3 times only within your anniversary year.

What are the requirements required for a Housing Loan?

Required Documents:

- Home Loan Application Form
- List of Required Documents
- Special Power of Attorney (SPA)

A. For Locally-Employed Borrowers:

- Completely filled out and signed application form
- Clear copy of one valid ID (photo-bearing government issued) of borrower/spouse/co-borrower/ signatories of the loan

- Any ONE of the following income documents:
 - Latest Certificate of Employment and Compensation
 - Latest Income Tax Return
 - Latest 3 months Payslips
 - Latest 3 months Bank Statements
- Note: to credit commission income, kindly submit latest 6 months payslips
- Mortgage Redemption Insurance (MRI) Application Form
- Relevant collateral documents (Section E)

B. For Self-Employed Borrowers:

- Completely filled out and signed application form
- Clear copy of one valid ID (photo-bearing government issued) of borrower/spouse/co-borrower/ signatories of the loan
- Income Tax Return (1701 for sole proprietary owner; or 1702 for Corporation)
- Any ONE of the following income documents:
 - Audited Financial Statements (Latest 1 year)
 - Bank statements (Latest 3 months)
 - Lease/Rental Contracts
- Note: For licensed Real Estate brokers and licensed Insurance brokers, kindly submit latest 12 months proof of income to credit commission-based income
- Mortgage Redemption Insurance (MRI) Application Form
- Relevant collateral documents (section E)

C. For Corporate Borrowers:

- Completely filled out and signed application form
- Company profile: background, owners, key officers
- SEC Registration and General Information Sheet
- Bank Statements (latest 3 months)

- Income Tax Return (1702 for Corporation) with Audited Financial Statements for the past 3 years
- Suppliers contact info (with average monthly transactions)
- Customer's contact info (with average monthly transactions)
- Authorization letter (for bank, business and trade checkings)
- Mortgage Redemption Insurance (MRI) Application Form
- Relevant collateral documents (Section E)

D. For OFW Borrowers:

- Completely filled out and signed application form
- Clear copy of one valid ID (photo-bearing government issued) of borrower/spouse/co-borrower/ signatories of the loan
- Any ONE of the following income documents:
 - Certificate of Employment with compensation (issued within the last 6 months)
 - Latest Crew Contract (for seafarer/seaman)
 - Latest Employment Contract (for land-based OFWs)
 - Allotment Slip
 - Latest 3 months payslip; OR bank statement for past 3 months
- Note: For OFWs hired directly abroad, any TWO income documents are required
- Consularized Special Power of Attorney is needed if with attorney in fact
- Mortgage Redemption Insurance (MRI) Application Form
- Relevant collateral documents (Section E)

E. Collateral Document Requirements

- Copy of collateral title (TCT/CTC)
- Copy of Tax Declaration on land and/or improvement
- Signed Authority to Inspect and Verify (bank form)
- Appraisal Fee paid to SBC: OR Number _____

F. Acquisition from Accredited Developer

- Contract to Sell; or Reservation Agreement

G. Home Construction or Renovation:

- Bill of Materials and Estimates of Construction and Labor Cost
- Floor and Building Plan and Building Specifications

What are the loan terms available?

- Minimum of 1 year
- Maximum of 25 years for house & lot
- Maximum of 20 years for townhouse or duplex
- Maximum of 15 years for residential vacant lot, or condominium unit

What are the types of housing loan I can avail from the Bank?

- Acquisition of residential house and lot, townhouse, duplex, condominium unit, or residential vacant lot
- House Construction
- Refinancing/Take-out of existing housing loan from another bank
- Reimbursement of acquisition or construction cost
- Home Equity Loan

What are the modes of payment available?

- Regular Monthly Amortization, fixed payment of principal and interest
- Fantastic Elastic: customer can make overpayments and underpayments on the loan

How can I pay for my loan?

Auto Debit Arrangement (ADA) – payment will be automatically deducted from your Security Bank account

How can I pay thru ADA?

- Open an account in any Security Bank branch
- Enroll the account as your settlement account for your housing loan upon loan booking

How are my payments/amortizations collected?

- Equal monthly amortization of principal and interest to be collected 1 month after loan release
- Subsequent amortization due dates shall follow the date of the first amortization

PERSONAL LOAN

Overview

Make your dreams a reality with our multi-purpose, low interest loan option that provides convenient and affordable payment terms.

You can use it for:

- Health and Wellness
- Education
- Balance Transfer
- Family Vacation
- Home Improvements/ Lot Down Payments *
- Car Repair/ Car Purchase *

**As long as the secured portion is not financed by Security Bank*

At A Glance

Take a look at what we can offer:

| | |
|---------------------|------------------|
| Minimum Loan Amount | P30,000 |
| Maximum Loan Amount | P1,000,000 |
| Payment Terms | up to 36 months |
| Approval Time | 5-7 banking days |

Check how much you can borrow.
Use our loans calculator!



I want to borrow 30000 & pay in Please select... . My monthly gross income is 30000 .

[View Result](#)

CAR LOAN

Overview

Buying a new car has never been easier! Apply for a car loan that fits your lifestyle with flexible payment terms and fast approval.

You can use it for:

- Purchase of a brand new or second hand car
- Reimbursement of a brand new vehicle
- Refinancing of a second hand car/loan take-out







At A Glance

Take a look at one of the most competitive car loan in the market!

| | |
|-----------------|---------------------------------|
| Loan Amount | Up to 80% of purchase price |
| Payment Terms | 12 to 60 months |
| Down Payment | As low as 20% of purchase price |
| Maximum Car Age | Up to 11 years old |
| Approval Time | 1 banking day* |

*From receipt of complete application form and requirements

Check how much you can borrow.
Use our loans calculator!

| | | | | | |
|--|--|--|--|--|--|
|  |  |  |  |  |  |
| What car do you want? | When do you want to pay? | What is your gross monthly income? | Selling Price of the Car | Your Downpayment | Payment Terms |
| <u>brand new car</u> ▼ | <u>in advance</u> ▼ | <u>800000</u> | <u>800000</u> | <u>20%</u> ▼ | <u>24 months</u> ▼ |

[View Result](#)

CORPORATE EMPLOYEE LOAN

What is a Corporate Employee Loan?

Corporate Employee Loans (CEL) gives employees of accredited companies access to loans with convenient and affordable payment terms. These loans can be used for any non-business purpose including health expenses, tuition, family vacations, balance transfers, or even the purchase of a car or house.

Choose from any of the employee loans we offer



Salary Loan

Multi-purpose clean loan facility for the personal expenses of employees



Housing Loan

Collateralized loan for building, buying, or improving a home



Car Loan

Financing for the purchase or repair of a motor vehicle

How Can Your Company Get Accredited?



Get in touch with the Security Bank team



Submit the required documents for accreditation



Processing and screening of application (3-4 weeks)



Signing of the MOA and submission of post approval documentary requirements



Upon approval, begin endorsing employees for loans

D. FOR SALE

PRE-OWNED CARS

How to Purchase a Used Car



Choose your vehicle

[Click here](#) to view our available vehicles and inquire/offer online. Visit our showroom to view vehicles in person; map to showroom available [here](#).



Make an offer

Bid or make an offer on available vehicles online or by submitting [this form](#). View full purchasing mechanics by [clicking here](#).



Wait for Confirmation

We tabulate bids/offers on Friday at 3pm with results announced within 3 banking days after tabulation. Awardees are notified accordingly.



Provide Payment

Cash sales: payment within 5 banking days upon notification
LOG/auto loan: LOG submission within 10 banking days.

Used Cars for Sale

Updated weekly | [Download offer form](#) | [Download list of cars](#)

| | YEAR | MODEL | COLOR | MILEAGE | PLATE NO | TYPE | SELLING PRICE | FLOOR PRICE | | |
|---|------|-------------------------------------|-----------------|---------|----------|------|---------------|-------------|-------------------------|-------------------------------|
| 1 | 2015 | FORD Fiesta Hatchback M/T | Red | 1,275 | AGA-8346 | GAS | 520,000.00 | NA | Inquire | Make an Offer |
| 2 | 2014 | FORD Fiesta 1.5 Sport A/T Hatchback | Phantom Purple | 23,451 | AAB-2533 | GAS | 480,000.00 | NA | Inquire | Make an Offer |
| 3 | 2014 | KIA Optima A/T | Aurora Black | 11,110 | AAI-5613 | GAS | 910,000.00 | NA | Inquire | Make an Offer |
| 4 | 2015 | KIA Picanto 1.2 EX, A/T | Titanium Silver | 6,217 | AAE-4195 | GAS | 460,000.00 | NA | Inquire | Make an Offer |
| 5 | 2015 | KIA Picanto 1.2 EX, A/T | Titanium Silver | 21,775 | AKA-4852 | GAS | 415,000.00 | NA | Inquire | Make an Offer |

PROPERTIES FOR SALE

How to Purchase a Property



Choose your Property

[Click here](#) to view our available properties and inquire or offer online. [Click here](#) to view the location of the property.



Make an offer

Make an offer on the available property online by submitting the online form across your desired property. View full purchasing mechanics by [clicking here](#).



Wait for Confirmation

Offers are being evaluated and awardees are notified accordingly.



Provide Payment

Cash payment: payment within 5 banking days upon notification.

Available Properties

[Click to Download the Offer Letter](#)

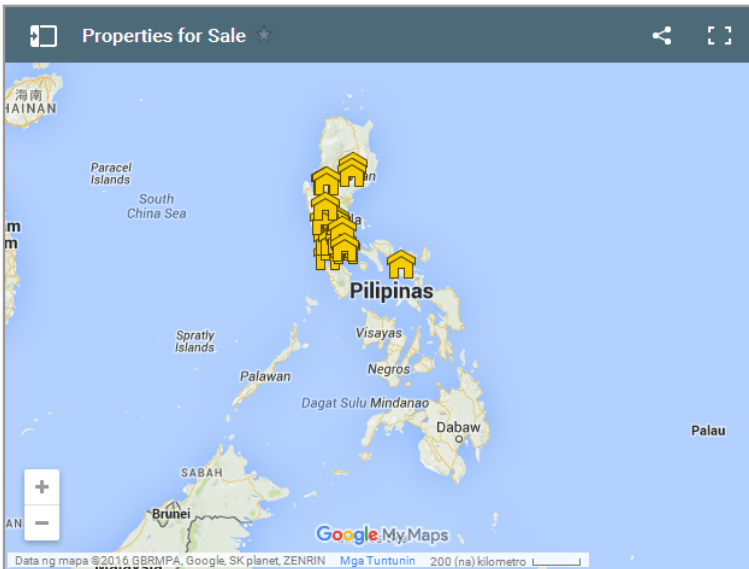
| | AREA | DESCRIPTION | LOT AREA | FLOOR AREA | SUGGESTED PRICE | | |
|-------------------------|-----------------|--|-----------|--|--|-------------------------|-----------------------|
| NATIONAL CAPITAL REGION | | | | | | | |
| 1 | Marikina | 29 P. Gomez St., San Isidro Village 1, Concepcion Uno, Marikina City | 244 sq.m. | 379.06 sq. m. | Php 6,500,000 | Inquire | Offer |
| 2 | Paranaque | Unit 1903, Pacific Coast Condominium Project, Coastal Road, Tambo, Paranaque | NA | 164.62 sq. m. 3-BR Unit with 2 parking slots | Php 3,500,000 SALE at Php 2,248,000 | Inquire | Offer |
| 3 | Paranaque | U-9 8/F Amvel Mansions, Tower 1, San Dionisio, Paranaque | NA | 46.10 sq.m. 1-BR Unit | Php 2,400,000 | Inquire | Offer |
| 4 | Quezon | Unit 502, Xavierville Square Condo., #38 Xavierville Ave., Loyola Heights, Quezon City | NA | 91 sq.m. | Php 4,000,000 | Inquire | Offer |
| 5 | Valenzuela City | No. 50 (formerly No. 68), Hulo St., Dalandanan | 305 sq.m. | NA | Php 1,950,000 SALE at Php 1,267,500 | Inquire | Offer |

Sale Mechanics:

- ✓ The Sale Program is only until October 2015
- ✓ 1% additional discount for cash sale and purchase of multiple properties
- ✓ Brokers and agents are welcome. Higher commissions await!

Disclaimer:

- ✓ Sale is on an "As is, where is" basis
- ✓ Availability and Price of property listed are subject to change without prior notice
- ✓ All offers subject to management approval
- ✓ For properties with more than one offer, the Bank will conduct a sealed bidding
- ✓ Sale price is not applicable for buy back consideration



Documentary Requirements

- Proof of mailing address (Meralco, Manila Water, etc.)
- Government-issued valid ID
- Certificate of employment
- Bank statement
- Income tax return
- Duly accomplished Offer to Buy Letter
- Marriage Certificate/contract (if applicable)
- For OFWs, additional documents may be required.

Questions?

Please contact account officers

Ranilo Nadonza

☎ (632) 888-7352 | 09189068380

✉ rnadonza@securitybank.com.ph

Wilson Ricarte

☎ (632) 867-6788 local 8902 | (632) 867-6796

✉ wricarte@securitybank.com.ph

E. FOR LEASE

PROPERTIES FOR LEASE

Excellent opportunity to expand reach, perfect for



Office Space



Church Activities



Retail Outlets



Manpower Services




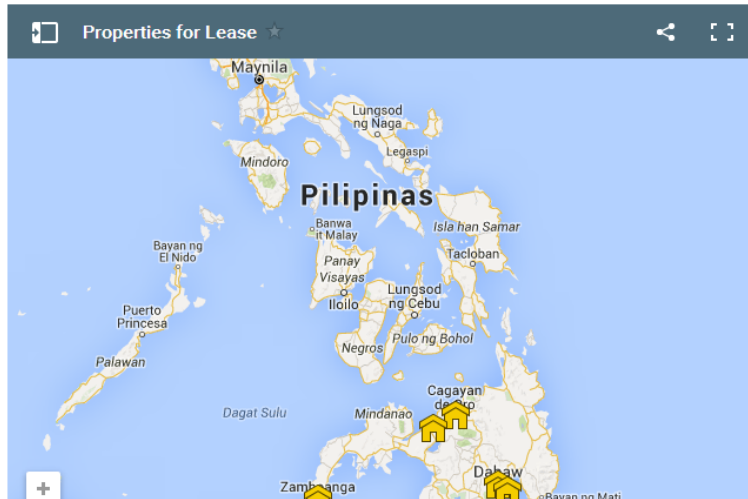
Convenience Stores

Prime Commercial Space for Lease

| | SPACE FOR LEASE | AVAILABLE FOR LEASE (sq. m) | |
|--------------|-----------------|-----------------------------|-------------------------|
| NCR | | | |
| 1 | Commonwealth | 246.05 | Inquire |
| 2 | Del Monte | 227.1 | Inquire |
| 3 | Pandacan | 63 | Inquire |
| LUZON | | | |
| 1 | Batangas | 169.92 | Inquire |
| 2 | San Pedro | 255.19 | Inquire |

- ✓ Availability is subject to change without prior notice
- ✓ All offers are subject to Management's final approval

 Click this icon on the map to view the list.



Visit our Properties for Lease

Schedule your location visit from
Monday to Friday
8:30 am to 4:30 pm

Questions?

Please contact account officer
Ranilo Nadonza

☎ (632)888-7352 | 09189068380
✉ rnandoza@securitybank.com.ph

F. CARDS

COMPLETE CASHBACK



Year-round Cashback

Enjoy up to Php 12,000 cashback annually.



5-tiered Rebates

Pay less on your most essential spends.



Immediate Cashback

Save instantly on your monthly billing statement.



Worldwide Acceptance

Travel and shop at ease. Use your card anytime, anywhere with MasterCard's wide network of affiliated merchants worldwide.



Exclusive MasterCard Promos

Enjoy discounts, freebies and deals at your favorite shops and restaurants



Supplementary Cards

Up to 5 cards to manage your family's finances.

Enjoy Guaranteed Cashback on Five Essentials



on Groceries



on Gas



on Utilities



on Dining



on Shopping

Visit Resorts World Sentosa with MasterCard Today!



Universal Studios®

15% Off on One-Day Adult Entrance Pass. [Learn more.](#)



S.E.A. Aquarium™

15% Off on One-Day Adult Entrance Pass. [Learn more.](#)



Adventure Cove Waterpark™

15% Off on One-Day Adult Entrance Pass. [Learn more.](#)



More Exciting Promos

New deals, freebies, and more every month! [Learn more.](#)

Fees & Charges

[*Click here for a full list](#)

MasterCard Complete Cashback

| | |
|-------------------------------------|-----------|
| Primary Annual Membership Fee | PHP 3,000 |
| Supplementary Annual Membership Fee | PHP 1,500 |
| Interest rate | 3.5% |

Foreign Exchange Rate

Security Bank Corporation's prevailing exchange rate for credit cards at posting date

Applicant Requirements

- Filipino Citizen
- Principal Cardholder must be between 21–65 years old
- Employed as a Regular Employee for at least 1 year
- **OR** Self-Employed Profitably for at least 3 years
- Gross Annual Income must be at least P360,000
- Must have a landline number

Documentary Requirements

- Government-Issued Photo-Bearing ID
- For Self-Employed: 3 years AFS **or** ITR **AND** SEC/DTI Registration
- For Employed: Signed COE **or** ITR **or** 3mo Payslip with Company ID (front/back)

MASTERCARD REWARDS



Worldwide Acceptance

Travel and shop at ease. Use your card anytime, anywhere with MasterCard's wide network of affiliated merchants worldwide.



Secure Online Shopping

Your MasterCard comes with eSecure, a feature that allows you to set your own limits for online shopping!



Exclusive MasterCard Promos

Enjoy discounts, freebies and deals at your favorite shops and restaurants



Non-Expiring Rewards Points

Earn 1 Point for every Php20 spent. [Check out our rewards catalog here.](#)



Supplementary Cards

Up to 5 cards to manage your family's finances.

Fees & Charges

[*Click here for a full list](#)

| | Classic | Gold |
|--------------------------|---|-----------|
| Primary Card Annual Fee | PHP 2,000 | PHP 2,500 |
| Supplementary Annual Fee | PHP 1,000 | PHP 1,500 |
| Interest rate | 3.5% | 3.5% |
| Foreign Exchange Rate | Security Bank Corporation's prevailing exchange rate for credit cards at posting date | |

Applicant Requirements

- Filipino Citizen
- Principal Cardholder must be between 21–65 years old
- Employed as a Regular Employee for at least 1 year
- **OR** Self-Employed Profitably for at least 3 years
- Gross Annual Income must be at least P180,000 for Classic and P440,000 for Gold
- Must have a landline number

Documentary Requirements

- Government-Issued Photo-Bearing ID
- For Self-Employed: 3 years AFS **or** ITR **AND** SEC/DTI Registration
- For Employed: Signed COE **or** ITR **or** 3mo Payslip with Company ID (front/back)

MASTERCARD PREMIUM REWARDS



Dual Currency Billing Options

Pay for international transactions in US Dollars.



Secure Online Shopping

Set your own limits on your eSecure exposure for safe online shopping.



Access to MIASCOR Lounges

Free access to NAIA Terminal I and Davao Airport's MIASCOR Lounges.



Lifetime Waiver of Membership Fees

Waived membership fees with minimum annual spend.



Travel Insurance

Coverage on accidents and more when you book your airline ticket with your card. [Learn More](#)



24/7 Concierge Service

Assistance with travel plans, event organization, and more!



High Credit Limits

Enjoy the life you want with high credit limits.



Non-expiring Rewards Points

Accumulate your points. [View our Rewards Catalog.](#)



MasterCard Moments®

Enjoy exclusive travel, shopping, and dining deals.



VIP Service at St. Luke's Medical*

Experience priority medical services at St. Lukes Medical Center.



First Supplementary Free*

Extend your benefits and spending power to your loved ones.



World MasterCard Exclusive Offers*

[Click here to learn more.](#)

| Fees & Charges | Platinum | World |
|---|---|-------------------------------------|
| *Click here for a full list | | |
| Primary Card Annual Fee | P4,000 | P5,000 |
| Supplementary Annual Fee | P2,500 | P2,500 (First Card Waived for Life) |
| Interest rate | 3.25% | 2.5% |
| Foreign Exchange Rate | Security Bank Corporation's prevailing exchange rate for credit cards at posting date | |

Applicant Requirements

- Filipino Citizen
- Principal Cardholder must be between 21–65 years old
- Employed as a Regular Employee for at least 1 year
- **OR** Self-Employed Profitably for at least 3 years
- Gross Annual Income must be at least P1,300,000 for Platinum and P3,000,000 for World
- Must have a landline number

Documentary Requirements

- Government-Issued Photo-Bearing ID
- For Self-Employed: 3 years AFS **or** ITR **AND** SEC/DTI Registration
- For Employed: Signed COE **or** ITR **or** 3mo Payslip with Company ID (front/back)

DINER'S CLUB



Access to 500+ Lounges Worldwide

Free access to over 500 airport lounges around the world. [Learn more](#)



Travel Insurance

When booking your flight with your Diners Club credit card. [Learn More](#)



Supplementary Cards

Up to 5 cards to manage your family's finances.



Local Lounge Access

Entry for you at MASCOR Lounges.



Dual Currency Billing Options

Get the option to pay for international transactions in US Dollars.



Non-expiring Rewards Points

Accumulate your points to redeem exciting travel rewards.



Diners Club Privileges*

Exclusive experiences around the world from Diners Club.



Airline Rewards

Choose from 9 world-class carriers flying to over 1,000 destinations.



Hotel Rewards

Take your pick from 5 partner chains with 3,000+ hotels across more than 90 countries!



High Credit Limits

A limit to match your lifestyle.



Personalized Rewards

Choose your own rewards items to redeem with points!

*Premiere only

Discover the World of Diners Club Privileges®



Privileges Dining Collection

Exclusive Offers from World's Best Restaurants. [Learn More.](#)



AmanSari Resort, Malaysia

50% off Published Room Rates. [Learn more.](#)



Anantara Resort, China

Up to 30% off your room and other benefits! [Learn more.](#)



More Exciting Promos

New deals, freebies, and more every month! [Learn more.](#)

Fees & Charges

[*Click here for a full list](#)

| | International (Single Currency) | International (Dual Currency) | Premiere |
|--------------------------|---|----------------------------------|-----------|
| Primary Card Annual Fee | PHP 2,000 | PHP 3,000 | PHP 4,000 |
| Supplementary Annual Fee | PHP 1,000 | PHP 1,500 | PHP 2,500 |
| Interest rate | 3.5% | 3.5% | 3.5% |
| Foreign Exchange Rate | Security Bank Corporation's prevailing exchange rate for credit cards at posting date | | |

Applicant Requirements

- Filipino Citizen
- Principal Cardholder must be between 21–65 years old
- Employed as a Regular Employee for at least 1 year
- **OR** Self-Employed Profitably for at least 3 years
- Gross Annual Income must be at least P260,000 for International and P1,700,000 for Premiere
- Must have a landline number

Documentary Requirements

- Government-Issued Photo-Bearing ID
- For Self-Employed: 3 years AFS **or** ITR **AND** SEC/DTI Registration
- For Employed: Signed COE **or** ITR **or** 3mo Payslip with Company ID (front/back)

BILLS ASSIST

“The Hassle-Free Way to consolidated bills”

Bills Assist

Tired of long lines? Always forgetting to pay your utility bills on their due date? With Security Bank's Bills Assist Program, you can consolidate all your utility bills and remember just ONE due date. You earn Reward Points too*!

Please note enrollment to Bills Assist is only for residential accounts.

Account Information

Full Cardholder Name *

(First, Middle, Last)

Card Type *

☐ Diners Club ☐ MasterCard

Last 4 Digits of Card Number *

Contact Information

Email Address *

Phone Number *

What type of phone number is this? *

☐ Mobile Number ☐ Landline Number

When is the best time to call you for verification? *

☐ 9-12nn ☐ 12-3pm ☐ 3-6pm ☐ 6-9pm

Terms & Conditions

1. The Bills Assist Program is an automated payment facility wherein the cardholder allows Diners Club or Security Bank MasterCard to pay/settle their monthly bills to our accredited Merchant Partners.
2. The Program is open to all Primary Cardholders in good standing.
3. Upon approval of enrollment, the Cardholder authorizes SB Cards to automatically charge the total amount of the enrolled bill/s to his/her Diners

CARD SERVICES

Provides information assistance to customers (update of old data, request for SOA).

Credit Card Services

Account Information

Full Primary Cardholder Name *

(First, Middle, Last)

Card Type *

☐ Diners Club ☐ MasterCard

Last 4 Digits of Card Number *

Contact Information

For security purposes, phone verification is required for most requests. Please enter your contact details and preferred call time below.

Email Address *

Contact Number *

What kind of number is this?

☐ Mobile Number ☐ Landline Number

When is the best time to call you for verification? *

☐ 9-12nn ☐ 12-3pm ☐ 3-6pm ☐ 6-9pm

Card Service Request Details

What request can we help you with today? *

Please select... ▼

Captcha

Please enter the characters you see in this picture:

PROMOS

CREDIT & DEBIT CARD PROMOS

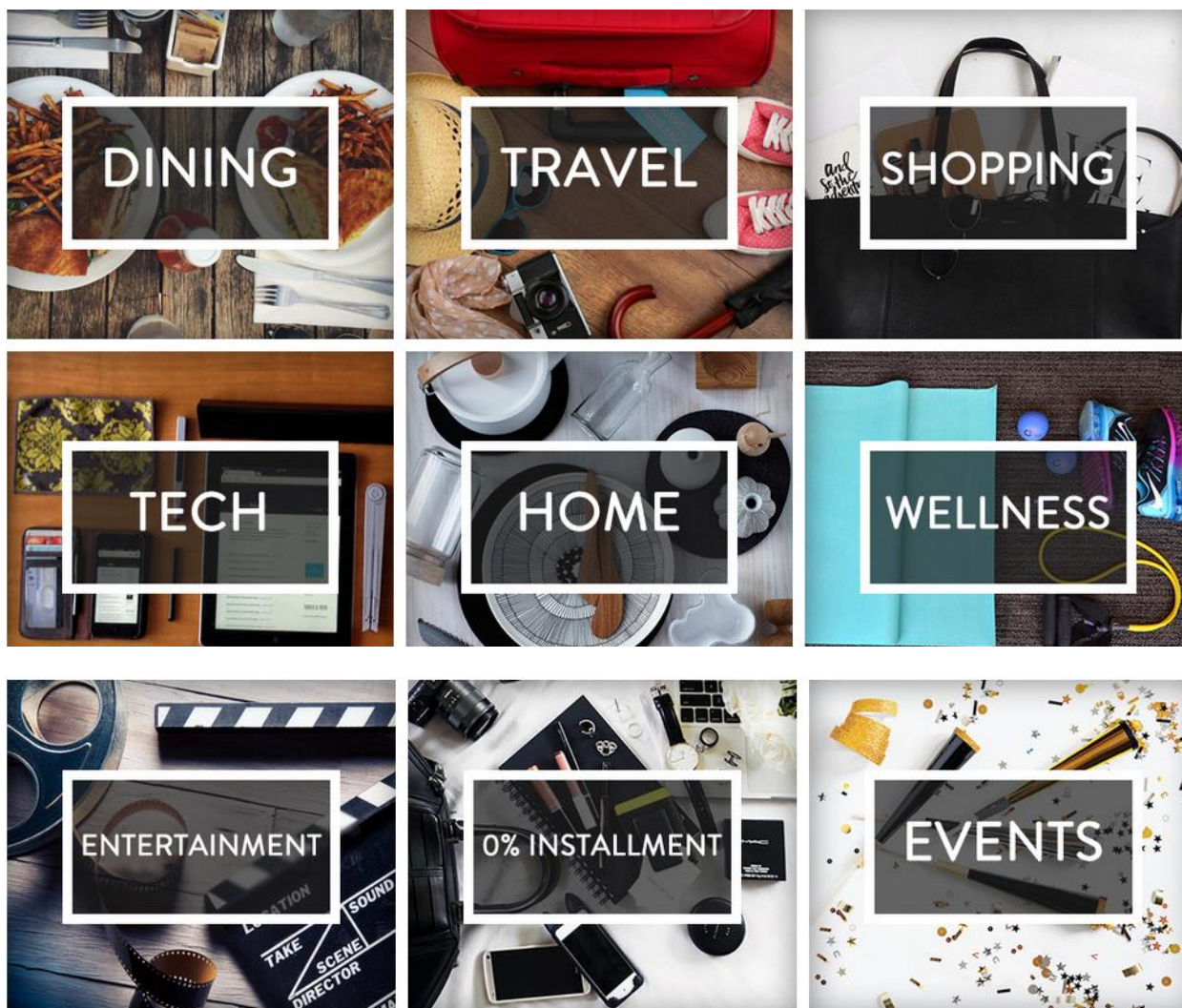
BANK PROMOS

Better Year, Better You

Wellness tips and promos to help you become the best version of yourself this 2016.

[Click here to learn more](#)





REWARDS

Rewards Selection

Now, Less is More.

₱20 spend = 1 point

With less required spend, earn more points by using your Security Bank credit cards!



MasterCard rewards

Use your points to shop for the rewards you deserve



Exclusive Diners Club rewards

Special offers for Security Bank Diners Club credit card holders

Rewards Selection

Now, Less is More.

₦20
spend = 1 point

With less required spend, earn more points by using your Security Bank credit cards!



MasterCard rewards

Use your points to shop for the rewards you deserve




Exclusive Diners Club rewards

Special offers for Security Bank Diners Club credit card holders

G. TRANSFERS


eGive cash

What our clients say...




Yvette Lourece Alan

"It's cheaper compared to other remittance companies and there's no need for my receivers to have an account to receive the money."




Clarissa Nance

"I am now using eGC in sending money. It is very efficient and cheaper compared to other remittance companies."




Jose Maria Sevilla

"My sister now regularly withdraws remittance from SBC ATM in Bulacan even without an ATM card."



Marie Christine Tuiza


"I learned about eGiveCash during the Security Bank Online sales blitz. It is indeed a cheaper and more convenient remittance service for me."



Lance Russel


"With eGiveCash, hassle-free na magpadala because nakakapag-remit na ako ng pera through online means."

Why send money through eGiveCash




**Convenient and Secure
Sending of Money**

Send money with Security Bank Online or through the nearest Security Bank branch.



**Fast and Easy
Receiving of Money**

Receive money fast and easy after getting the eGiveCash passcode from the sender.



**Over 500 ATMs
to Receive Money from**

Receive money through any Security Bank or Security Bank Savings ATM.

4 Steps to Send Money Online



Log on and select Payments & Transfers.



Click Transfer Funds then select eGiveCash.



Accomplish the online form and click submit.



Send the eGiveCash passcode to your receiver.

4 Steps to Send Money Online



Log on and select Payments & Transfers.



Click Transfer Funds then select eGiveCash.



Accomplish the online form and click submit.



Send the eGiveCash passcode to your receiver.

SECURITY BANK ONLINE



[Back to SBC Home](#) | [FAQ](#) | [Helpdesk](#) | [Security Information](#)

Welcome to Security Bank Online

Security Bank Online is a safe, secure and easy way to manage your money via the internet. Conveniently make transactions and do most of your everyday banking even beyond business hours, wherever you may be. [Enroll your account now.](#)

[Login](#)

[Not yet enrolled? Sign up here](#)
[Forgot Password?](#)

Realtime SMS alerts



Receive SMS updates everytime you make a financial transaction via ATM or Online Banking. Go to your nearest Security Bank branch to update your contact information now!

[See More](#)

Security Reminders



SB Online does NOT use the ATM Card Number or PIN Number in order for you to access it. Read more about ATM security here.

[More Security Tips](#)

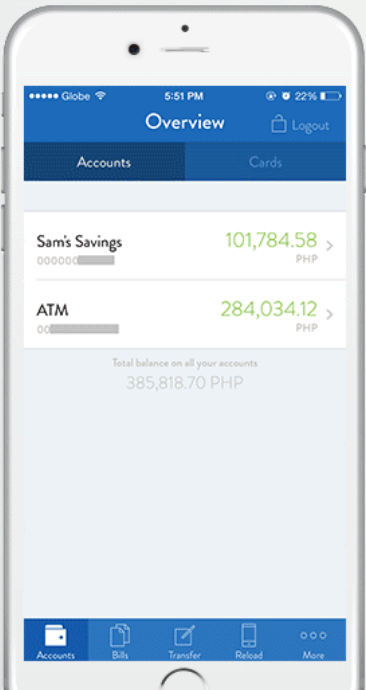
Rewards



Does your bank treat you like Gold? Enjoy VIP treatment from the day you open

[Learn More](#)



MOBILE APP



MOBILE APP

Experience *BetterBanking*, anywhere you go.

Download our app for easier account management. Click on the icon below to download now.



Now with QuickLogin feature. Securely log in with just your finger print by enabling **TouchID validation**.

No need to remember passwords.

What can you do with Security Bank mobile app?



MANAGE YOUR ACCOUNTS

View the balances and transaction history of your enrolled deposit, eSecureSavings, and credit card accounts.



RELOAD MOBILE PHONE

Reload prepaid mobile phones whether it be Globe, Smart, or Sun.



TRANSFER FUNDS

Transfer funds to other SBC bank accounts without the need to enroll!



PAY BILLS

Pay your bills to all your essential merchants including PLDT, Meralco, and many more!

Enroll your frequent billers as favorites so you don't need to key in details every time.

Schedule your payments ahead of time to avoid the rush on due dates.



LOCATE BRANCHES & ATMs

Find the Security Bank branch or ATM nearest you with an interactive map.

User Reviews

GREAT APP!

"I particularly love the interface, it is easy to use! The Security Bank online experience is just getting better and better!" – Sam C.

SIMPLE AND CONVENIENT

"I'm using the Security Bank app to monitor my account & pay bills. I recommend this to other customers." – Gary S.

HELPFUL!

"The maps are even linked to Google maps, which always helps me find the nearest ATM when I need it!" – James R.

THUMBS UP!

"I love how easy is to transact! No other bank makes first time fund transfers and bills payments as well as Security Bank!" – Joy B.

INITIAL ASSESSMENT

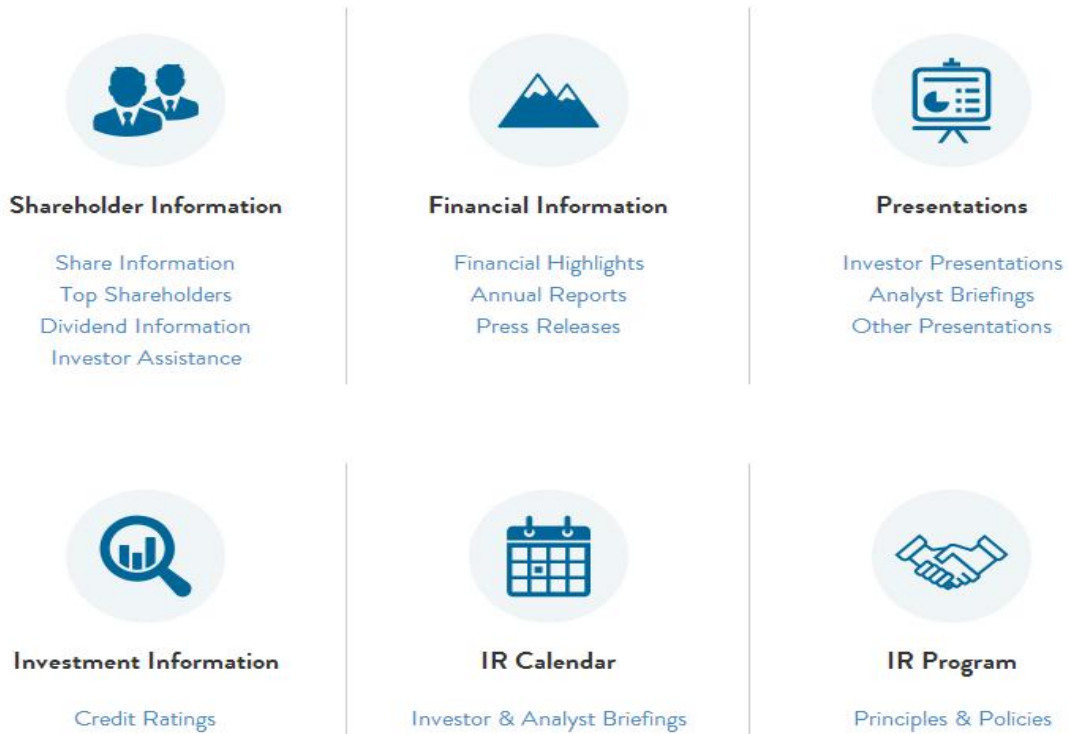
"It has all the essentials and working great! Hope they add more features in the future." – Daniel L.

GOOD JOB!

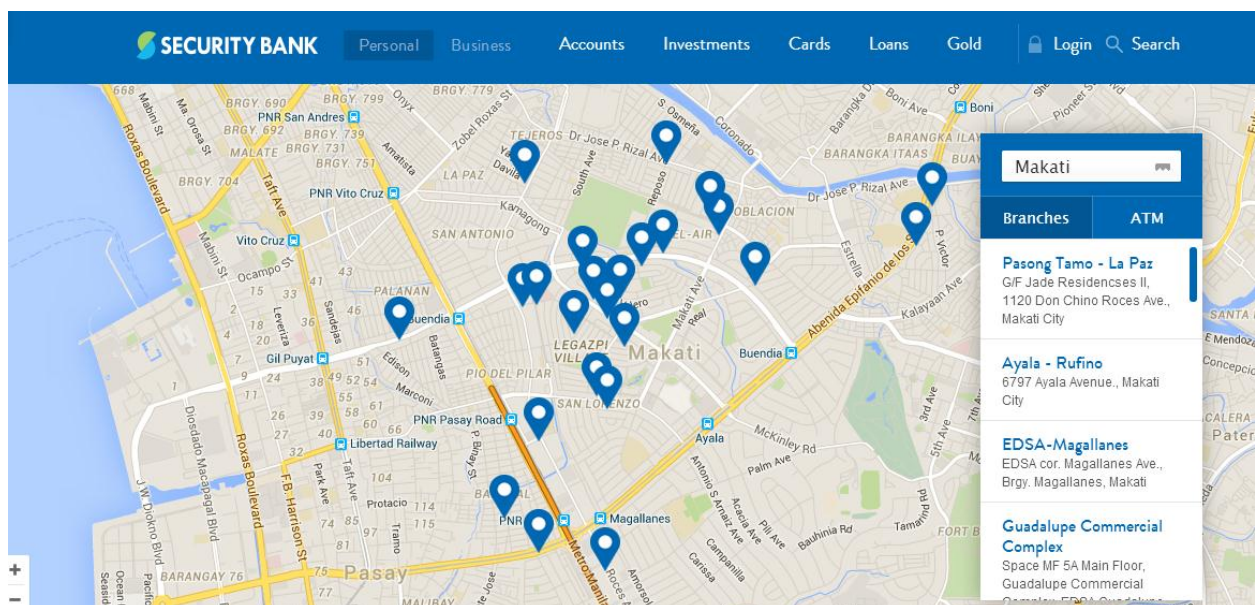
"Lovely user experience. Really encouraged me to make Security Bank account my primary bank!" – Ed O.

H. OTHERS

INVESTOR RELATIONS

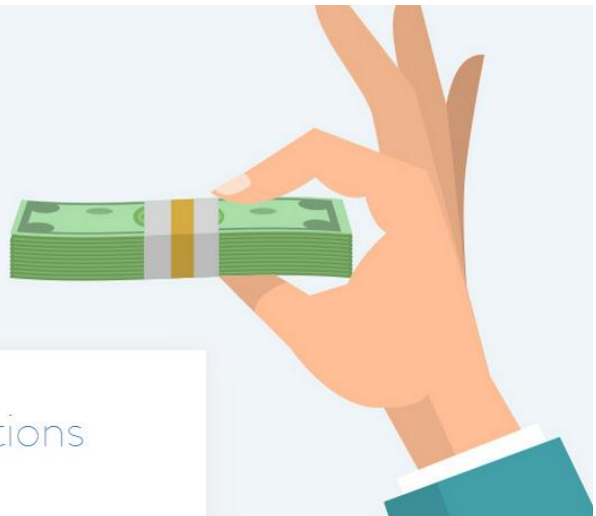


BRANCH AND ATM LOCATOR



Personal Finance News & Tips

Suggestions? Questions?
We're listening. [Contact us.](#)



5 New Year's Beauty Resolutions

January 12, 2016



APPENDIX F - PRICING COMPARISON OF SELECT SERVICES

Security Bank**PERSONAL ACCOUNTS***All Access**Easy*

| | | | |
|---------------------|--------|---------------------|-------|
| Opening Balance | 5,000 | Opening Balance | 5,000 |
| Maintaining Balance | 25,000 | Maintaining Balance | 5,000 |
| Interest Rate | 0.20% | Interest Rate | 0.10% |

| | | |
|-------------------------------|-----|-------------------------------------|
| Instant Account Opening | YES | YES |
| Everyday MasterCard | YES | YES |
| Free ATM Transaction** | YES | YES |
| Free OTC Transactions | YES | Withdrawals are charged a small fee |
| Free Interbranch Transactions | YES | Only OTC fees apply |
| Passbook | YES | NO |
| Checkbook | YES | NO |

E-SECURE SAVINGS

eSecure Savings is a higher earning savings account designed for existing Peso CASA clients.

Higher interest rates allow your finances to grow quickly.

Convenient online account opening and management can be done anywhere through Security Bank Online.

Open up to 10 accounts and monitor progress for each of your savings goals.

TIER**RATES**

| | |
|-----------------|-------|
| 5,000-49,999 | 0.50% |
| 50,000-99,999 | 1.00% |
| 100,000-999,999 | 1.10% |
| 1M-4.999M | 1.20% |
| 5M and UP | 1.20% |

BUILD-UP SAVINGS**Features and Benefits**

Reasonable opening & maintaining balance

Up to 4x higher interest than traditional savings account

Access your money any time - No lock in period

Unlimited deposit

Withdraw up to 3x in a quarter

Regular Build Up Savings**Premium Build Up Savings**

| | | | |
|--------------------------|---------|--------------------------|---------|
| Opening Balance | P5,000 | Opening Balance | P50,000 |
| Maintaining Balance | P5,000 | Maintaining Balance | P50,000 |
| Balance to Earn Interest | P10,000 | Balance to Earn Interest | P50,000 |
| Interest Rate | 0.50% | Interest Rate | 1.00% |

USD ACCOUNT

| | |
|---------------------|-----------------|
| Opening Balance | USD 500 |
| Maintaining Balance | USD 500 |
| Interest Rate | 0.25% per annum |

THIRD CURRENCY ACCOUNTS

Our Third Currency accounts are non-interest bearing savings accounts that keep your foreign currency safe and secure. They can be opened using the following legal tenders:

Euro (EUR)

Hong Kong Dollar (HKD)

Singapore Dollar (SGD)

Australian Dollar (AUD)

Canadian Dollar (CAD)

Chinese Yuan (CNY/RMB)

Japanese Yen (JPY)

Korean Won (KRW)

| | |
|---------------------|-------------------|
| | Equivalent to USD |
| Opening Balance | 500 |
| | Equivalent to USD |
| Maintaining Balance | 500 |

Sample:

| 3rd Currency Forex | Buying | Selling |
|--------------------|----------|----------|
| EUR to PHP | P50.3011 | P54.4692 |
| HKD to PHP | P5.7293 | P6.2993 |
| SGD to PHP | P31.8833 | P35.3954 |
| AUD to PHP | P31.9502 | P34.9580 |
| CAD to PHP | P32.6994 | P35.4090 |
| CNY to PHP | P6.9736 | P7.5494 |
| JPY to PHP | P0.3893 | P0.4259 |
| KRW to PHP | P0.0363 | P0.0402 |

As of February 16, 2016 9:01AM

RCBC
DEPOSITS
SAVINGS ACCOUNTS
Regular Savings

| Features and Benefits | | |
|----------------------------------|--|----------------------|
| Banking Convenience | <ul style="list-style-type: none"> • 24/7 Fund access via RCBC Electronic Banking Channels • RCBC ATM Card can be use to pay purchases at over 2,000 grocery stores, department stores, restaurants and other merchants with BancNet Point-of-Sale (POS) terminals | |
| Fund Access | <ul style="list-style-type: none"> • Over-The-Counter • RCBC AccessOne Internet, Mobile and Phone • RCBC, RCBC Savings Bank, BancNet and Megalink ATMs nationwide | |
| | Passbook | RCBC ATM Card |
| Interest Rates | 0.15% | 0.15% |
| Minimum Initial Deposit | ₱ 10,000.00 | ₱ 3,000.00 |
| Minimum Maintaining Balance | ₱ 10,000.00 | ₱ 3,000.00 |
| Minimum Balance to Earn Interest | ₱ 10,000.00 | ₱ 10,000.00 |
| Transaction Record | Passbook | Statement of Account |

e.WOMAN SAVINGS ACCOUNT

| Features and Benefits | | |
|----------------------------------|---|----------------------|
| Banking Convenience | <ul style="list-style-type: none"> • 24/7 Fund access via RCBC Electronic Banking Channels. • e.Woman ATM Card that can be used to pay purchases at over 2,000 grocery stores, department stores, restaurants and other merchants with BancNet Point-of-Sale (POS) terminals. | |
| Fund Access | <ul style="list-style-type: none"> • Over-The-Counter • RCBC AccessOne Internet, Mobile and Phone • RCBC, RCBC Savings Bank, BancNet and Megalink ATMs nationwide | |
| | Passbook | ATM |
| Interest Rates | 0.15% | 0.15% |
| Minimum Initial Deposit | ₱ 15,000.00 | ₱ 15,000.00 |
| Minimum Maintaining Balance | ₱ 15,000.00 | ₱ 15,000.00 |
| Minimum Balance to Earn Interest | ₱ 15,000.00 | ₱ 15,000.00 |
| Transaction Record | Passbook | Statement of Account |

Member: PDIC. Maximum Deposit Insurance for Each Depositor P500,000

DRAGON DOLLAR SAVINGS ACCOUNT

| Features and Benefits | | |
|----------------------------------|--|--|
| Banking Convenience | <ul style="list-style-type: none"> • 24/7 Fund access via RCBC Electronic Banking Channels | |
| Fund Access | <ul style="list-style-type: none"> • Over-The-Counter • RCBC AccessOne Internet, Mobile and Phone • RCBC, RCBC Savings Bank, BancNet and Megalink ATMs nationwide | |
| Interest Rates | | |
| USD 1,000 < USD 500,000 | 0.125% | |
| USD 500,000 and above | 0.250% | |
| Minimum Initial Deposit | USD 500 | |
| Minimum Maintaining Balance | USD 500 | |
| Minimum Balance to Earn Interest | USD 1,000 | |
| Transaction Record | Passbook | |

Member: PDIC. Maximum Deposit Insurance for Each Depositor P500,000

DRAGON PESO SAVINGS ACCOUNT

| Features and Benefits | |
|-----------------------|---|
| Banking Convenience | <ul style="list-style-type: none"> • 24/7 Fund access via RCBC Electronic Banking Channels |

| | | |
|---|--|----------------------|
| Banking Convenience | <ul style="list-style-type: none"> • 24/7 Fund access via RCBC Electronic Banking Channels • Dragon Savings ATM Card can be used to pay purchases at over 2,000 grocery stores, department stores, restaurants and other merchants with BancNet Point-of-Sale (POS) terminals. | |
| Fund Access | <ul style="list-style-type: none"> • Over-The-Counter • RCBC AccessOne Internet, Mobile and Phone • RCBC, RCBC Savings Bank, BancNet and Megalink ATMs nationwide | |
| Interest Rates | Passbook | ATM |
| 25,000 to < 100,000 | 0.150% | 0.150% |
| 100,000 to < 500,000 | 0.224% | 0.224% |
| 500,000 to < 25,000,000 | 0.400% | 0.400% |
| 25,000,000 and above | 0.525% | 0.525% |
| Minimum Initial Deposit | ₱ 25,000.00 | ₱ 25,000.00 |
| Minimum Maintaining Balance | ₱ 25,000.00 | ₱ 50,000.00 |
| Minimum Balance to Earn Interest | ₱ 25,000.00 | ₱ 25,000.00 |
| Transaction Record | Passbook | Statement of Account |

Dragon Savings Account Interest Rates are subject to change

Member: PDIC. Maximum Deposit Insurance for Each Depositor P500,000

SSS PENSIONER

| Features and Benefits | | |
|---|--|----------------------|
| Banking Convenience | <ul style="list-style-type: none"> • 24/7 Fund access via RCBC Electronic Banking Channels • ATM Card that can be used to pay purchases at over 2,000 grocery stores, department stores, restaurants and other merchants with BancNet Point-of-Sale (POS) terminals. | |
| Access Points | <ul style="list-style-type: none"> • Over-The-Counter • RCBC AccessOne Internet, Mobile and Phone • RCBC, RCBC Savings Bank, BancNet and Megalink ATMs nationwide | |
| | Passbook | ATM |
| Interest Rate | 0.15% | 0.15% |
| Minimum Maintaining Balance | ₱ 100.00 | ₱ 100.00 |
| Minimum Balance to Earn Interest | ₱ 10,000.00 | ₱ 10,000.00 |
| Transaction Record | Passbook | Statement of Account |

Member: PDIC. Maximum Deposit Insurance for Each Depositor P500,000

SUPER EARNER SAVINGS ACCOUNT

| Features and Benefits | |
|---|--|
| Banking Convenience | <ul style="list-style-type: none"> • 24/7 Fund access via RCBC Electronic Banking Channels • ATM Card that can be used to pay purchases at over 2,000 grocery stores, department stores, restaurants and other merchants with BancNet Point-of-Sale (POS) terminals. |
| Access Points | <ul style="list-style-type: none"> • Over-The-Counter • RCBC AccessOne Internet, Mobile and Phone • RCBC, RCBC Savings Bank, BancNet and Megalink ATMs nationwide |
| Interest Rates | |
| 25,000 to < 500,000 | 0.1500% |
| 500,000 to < 1,000,000 | 0.1750% |
| 1,000,000 and above | 0.2000% |
| Minimum Initial Deposit | ₱ 25,000.00 |
| Minimum Maintaining Balance | ₱ 25,000.00 |
| Minimum Balance to Earn Interest | ₱ 25,000.00 |

PAYROLL SAVINGS ACCOUNT

| Features and Benefits | |
|----------------------------|--|
| Banking Convenience | <ul style="list-style-type: none"> • 24/7 Fund access via RCBC Electronic Banking Channels. |

| | |
|---|---|
| | <ul style="list-style-type: none"> • ATM Card that can be used to pay purchases at over 2,000 grocery stores, department stores, restaurants and other merchants with BancNet Point-of-Sale (POS) terminals. |
| Access Points | <ul style="list-style-type: none"> • Over-The-Counter • RCBC AccessOne Internet, Mobile and Phone • RCBC, RCBC Savings Bank, BancNet and Megalink ATMs nationwide |
| Interest Rate | 0.15% |
| Minimum Initial Deposit | ₱ 100.00 |
| Minimum Balance to Earn Interest | ₱ 10,000.00 |
| Transaction Record | Statement of Account |

Member: PDIC. Maximum Deposit Insurance for Each Depositor P500,000

RCBC iSave

* Individual Checking or Savings Account only

** Subject to terms and conditions

| Features and Benefits | |
|---|---|
| Banking Convenience | <ul style="list-style-type: none"> • 24/7 Fund access via RCBC Electronic Banking Channels |
| Fund Access | <ul style="list-style-type: none"> • RCBC AccessOne Internet and Mobile |
| Interest Rates | |
| 5,000 to 100,000 | 0.1500% |
| 100,001 to 500,000 | 0.1750% |
| 500,001 and above | 0.2000% |
| Minimum Initial Deposit | N/A |
| Minimum Balance Requirement | None |
| Minimum Balance to Earn Interest | ₱ 5,000 |

Member: PDIC. Maximum Deposit Insurance for Each Depositor P500,000

CHECKING ACCOUNT

REGULAR CHECKING ACCOUNT

| Features and Benefits | |
|------------------------------------|--|
| Banking Convenience | <ul style="list-style-type: none"> • 24/7 Fund access via RCBC Electronic Banking Channels • RCBC ATM Card can be used to pay purchases at over 2,000 grocery stores, department stores, restaurants and other merchants with BancNet Point-of-Sale (POS) terminals. |
| Fund Access | <ul style="list-style-type: none"> • Over-The-Counter • RCBC AccessOne Internet, Mobile and Phone • RCBC, RCBC Savings Bank, BancNet and Megalink ATMs nationwide |
| Minimum Initial Deposit | ₱ 10,000.00 |
| Minimum Maintaining Balance | ₱ 10,000.00 |
| Transaction Record | Statement of Account |

PDIC coverage: Maximum deposit insurance for each depositor ₱ 500,000

REGULAR CHECKING ACCOUNT WITH INTEREST

| Features and Benefits | |
|--------------------------------|--|
| Banking Convenience | <ul style="list-style-type: none"> • 24/7 Fund access via RCBC Electronic Banking Channels • RCBC ATM Card can be used to pay purchases at over 2,000 grocery stores, department stores, restaurants and other merchants with BancNet Point-of-Sale (POS) terminals. |
| Fund Access | <ul style="list-style-type: none"> • Over-The-Counter • RCBC AccessOne Internet, Mobile and Phone • RCBC, RCBC Savings Bank, BancNet and Megalink ATMs nationwide |
| Minimum Initial Deposit | ₱ 25,000.00 |

| | |
|----------------------------------|-------------|
| Minimum Balance Requirement | ₱ 25,000.00 |
| Minimum Balance to Earn Interest | ₱ 25,000.00 |
| Interest Rate | 0.25% |
| Transaction Record | Passbook |

PDIC Coverage: Maximum deposit insurance for each depositor ₱ 500,000

e.WOMAN CHECKING ACCOUNT

| Features and Benefits | |
|-----------------------------|---|
| Banking Convenience | <ul style="list-style-type: none"> • 24/7 Fund access via RCBC Electronic Banking Channels. • e.Woman ATM Card that can be used to pay purchases at over 2,000 grocery stores, department stores, restaurants and other merchants with BancNet Point-of-Sale (POS) terminals. |
| Fund Access | <ul style="list-style-type: none"> • Over-The-Counter • RCBC AccessOne Internet, Mobile and Phone • RCBC, RCBC Savings Bank, BancNet and Megalink ATMs nationwide |
| Minimum Initial Deposit | ₱ 35,000.00 |
| Minimum Maintaining Balance | ₱ 35,000.00 |
| Transaction Record | Statement of Account |

PDIC Coverage: Maximum deposit insurance for each depositor ₱ 500,000

SUPER VALUE CHECKING ACCOUNT

| Features and Benefits | |
|----------------------------------|--|
| Banking Convenience | <ul style="list-style-type: none"> • 24/7 Fund access via RCBC Electronic Banking Channels • ATM Card that can be used to pay purchases at over 2,000 grocery stores, department stores, restaurants and other merchants with BancNet Point-of-Sale (POS) terminals. |
| Access Points | <ul style="list-style-type: none"> • Over-The-Counter • RCBC AccessOne Internet, Mobile and Phone • RCBC, RCBC Savings Bank, BancNet and Megalink ATMs nationwide |
| Interest Rate | |
| 100,000 to < 500,000 | 0.1500% |
| 500,000 to < 1,000,000 | 0.2125% |
| 1,000,000 and above | 0.2240% |
| Minimum Initial Deposit | ₱ 25,000.00 |
| Minimum Maintaining Balance | ₱ 25,000.00 |
| Minimum Balance to Earn Interest | ₱ 100,000.00 |
| Transaction Record | Statement of Account |

Super Value Checking Account Interest Rates are subject to change

PDIC Coverage: Maximum deposit insurance for each depositor ₱ 500,000

FCDU (FOREIGN CURRENCY DEPOSIT UNIT) SAVINGS ACCOUNT

RCBC offers a savings account for a diverse array of foreign currencies such as: US Dollar, Japanese Yen, Euro*, Australian Dollar*, British Pound*, Canadian Dollar*, Swiss Franc* and Chinese Yuan.*

| | | | | |
|-------------------------|---|-----------|-----------------|-------------------|
| Fund Access | <ul style="list-style-type: none"> • RCBC Business Center • RCBC AccessOne Personal | | | |
| Transaction Record | Passbook | | | |
| | US Dollar | Euro | Canadian Dollar | Australian Dollar |
| Interest Rate | 0.125% | 0.125% | 0.25% | 1.00% |
| Minimum Initial Deposit | USD 500 | EUR 1,000 | CAD 7,000 | AUD 10,000 |
| Minimum ADB Requirement | 500 | 1,000 | 7,000 | 10,000 |

| Minimum ADB Requirement | 500 | 1,000 | 1,000 | 10,000 |
|------------------------------|-------|-------|-------|--------|
| Minimum ADB to Earn Interest | 1,000 | 1,000 | 7,000 | 10,000 |

| | Japanese Yen | British Pounds | Swiss Francs | Chinese Yuan |
|------------------------------|--------------|----------------|--------------|--------------|
| Interest Rate | 0.0050% | 0.250% | None | Tiered |
| Minimum Initial Deposit | JPY 50,000 | GBP 3,000 | CHF 5,000 | CNY 3,500 |
| Minimum ADB Requirement | 50,000 | 3,000 | 5,000 | 3,500 |
| Minimum ADB to Earn Interest | 50,000 | 3,000 | 5,000 | 7,000 |

☐ Chinese Yuan Interest Rates

| Amount | S/A Rate |
|-----------------------|----------|
| Below 7,000 | 0.0000% |
| 7,000 - 99,999 | 0.1250% |
| 100,000 - 499,999 | 0.2500% |
| 500,000 - 999,999 | 0.3750% |
| 1,000,000 - 4,999,999 | 0.5000% |
| 5,000,000 and above | 0.6250% |

*Selected branches only

Member: PDIC. Maximum Deposit Insurance for Each Depositor P500,000

TIME DEPOSIT

Fund Access

- RCBC Business Centers
- RCBC AccessOne Personal

Peso Time Deposit

| | Regular | Special |
|-----------------|---------|----------|
| Minimum Balance | P5,000 | P100,000 |
| Minimum Term | 30 Days | 30 Days |

☐ Peso Time Deposit Rates

| Amount | Days | | | | |
|--------------------|---------|---------|---------|----------|-----------|
| | 30 - 45 | 46 - 60 | 61 - 90 | 91 - 180 | 181 - 365 |
| 5,000 - 9,999 | 0.375% | 0.500% | 0.625% | 0.750% | 0.750% |
| 10,000 - 39,999 | 0.500% | 0.625% | 0.750% | 0.750% | 0.875% |
| 40,000 - 5,000,000 | 0.625% | 0.625% | 0.750% | 0.750% | 1.000% |
| Over 5,000,000 | 0.750% | 0.750% | 0.750% | 0.750% | 1.000% |

FCDU Time Deposit

Dollar Time Deposit

| | |
|-----------------|-----------|
| Minimum Balance | USD 1,000 |
| Minimum Term | 30 Days |

☐ Dollar Time Deposit Rates

| Amount | Days | | | | | |
|-------------------|---------|---------|----------|-----------|-----------|---------|
| | 30 - 45 | 46 - 89 | 90 - 179 | 180 - 269 | 270 - 359 | 1 yr |
| 1,000 - 10,999 | 0.2500% | 0.2500% | 0.2500% | 0.3750% | 0.5000% | 0.6250% |
| 11,000 - 99,999 | 0.4375% | 0.4375% | 0.4375% | 0.5000% | 0.6250% | 0.7500% |
| 100,000 - 499,999 | 0.5000% | 0.5000% | 0.5000% | 0.6250% | 0.7500% | 0.8750% |
| 500,000 - UP | 0.5000% | 0.5000% | 0.6250% | 0.7500% | 0.8750% | 1.0000% |

| Amount | Years |
|--------|-------|
|--------|-------|

| | 2 Yrs | 3 Yrs | 4 Yrs | 5 Yrs |
|------------|---------|---------|---------|---------|
| 1,000 - UP | 1.7500% | 2.0000% | 2.2500% | 2.5000% |

Chinese Yuan Time Deposit

| | |
|------------------------|-----------|
| Minimum Balance | CNY 7,000 |
| Minimum Term | 30 Days |

☐ Chinese Yuan Deposit Rates

| Amount | S/A Rate |
|-----------------------|----------|
| Below 7,000 | 0.0000% |
| 7,000 - 99,999 | 0.1250% |
| 100,000 - 499,999 | 0.2500% |
| 500,000 - 999,999 | 0.3750% |
| 1,000,000 - 4,999,999 | 0.5000% |
| 5,000,000 and above | 0.6250% |

| | Euro | Canadian Dollar | Australian Dollar | Japanese Yen | British Pounds | Swiss Francs |
|------------------------|-----------|-----------------|-------------------|--------------|----------------|--------------|
| Minimum Balance | EUR 1,000 | CAD 25,000 | AUD 25,000 | JPY 100,000 | GBP 10,000 | CHF 25,000 |
| Minimum Term | 30 Days | 30 Days | 30 Days | 30 Days | 30 Days | 30 Days |

☐ Other FCDUs Time Deposit Rates

| JPY 30 Days | JPY 100 k - JPY 6.0 mio | JPY 6.0 mio - JPY 12.50 mio | OVER JPY 12.50 mio |
|----------------|-------------------------|-----------------------------|--------------------|
| | 0.035% | 0.040% | 0.045% |
| EUR 30 Days | EUR 1 k - EUR 50 k | in EUR 100 k | OVER EUR 100 k |
| | 0.125% | 0.125% | 0.125% |
| CAD 30 Days | CAD 25 k - CAD 140 k | CAD 141 k - CAD 600 k | OVER CAD 600 k |
| | 0.250% | 0.250% | 0.250% |
| GBP 30 Days | GBP 10 k - GBP 55 k | GBP 270 k | OVER GBP 270 k |
| | 0.250% | 0.250% | 0.250% |
| CHF 30 Days | CHF 25 k - GBP 140 k | GBP 141 k - 700 k | OVER CHF 700 k |
| | 0.050% | 0.050% | 0.050% |
| AUD 30 Days | AUD 25 k - AUD 145 k | AUD 146 k - 675 k | OVER AUD 675 k |
| | 1.500% | 1.750% | 1.750% |

Chinabank

DEPOSITS

PESO ACCOUNTS

ATM Savings

Initial Deposit Requirement

- P 2,000

Minimum Monthly Average Daily Balance (ADB) Requirement

- P 2,000

Minimum Balance to Earn Interest

- P 5,000

Interest Rate

- 0.25% per annum, subject to 20% withholding tax

Documentation

- TellerCard

Access Points

- ATM
- BancNet POS
- China Bank Online
- TellerPhone
- Branch

PDIC Coverage: Maximum deposit insurance for each depositor: P500,000.

ChinaCheck Plus

Initial Deposit Requirement

- P 5,000

Minimum Monthly Average Daily Balance (ADB) Requirement

- P 5,000

Minimum Balance to Earn Interest

- P 20,000

Interest Rate

- 0.125% per annum, subject to 20% withholding tax

Documentation

- TellerCard
- Monthly Statement of Account
- Passbook (Optional)

Access Points

- Branch
- ATM
- TellerPhone
- China Bank Online
- BancNet POS
- BancNet Online

PDIC Coverage: Maximum deposit insurance for each depositor: P500,000.

MONEYPLUS Savings

Initial Deposit Requirement

- P 20,000

Minimum Average Daily Balance (ADB) Requirement

- P 20,000

Minimum Balance to Earn Interest

- P 50,000

Interest Rate

- 0.250% + Bonus Rate* (See table below)

*By maintaining at least Php 50,000 and limiting your withdrawals to 2x a month.

| Monthly ADB Range in Peso | Bonus Rate (per Annum) | Potential Earning* (0.250%+ Bonus Rate) |
|---------------------------|---------------------------|--|
| 50,000 – 99,999.99 | 0.250% | 0.500% |
| 100,000 – 499,999.99 | 0.375% | 0.625% |
| 500,000 – 999,999.99 | 0.500% | 0.750% |
| 1,000,000 & Up | 0.750% | 1.000% |

*Applies if withdrawal is limited to twice a month.

Documentation

- Passbook
- TellerCard*

Access Points

- Branch
- ATM
- TellerPhone
- China Bank Online
- BancNet POS
- BancNet Online

Others

- PDIC coverage: Maximum deposit insurance for each depositor P500,000
- Interest is credited every month-end and subject to 20% withholding tax
- The regular savings account rate shall be applied for accounts with more than two (2) withdrawals per month

*TellerCard is optional for the MoneyPlus Savings Account. Individual and Joint (and/or) account clients can link their MoneyPlus Savings Account to their existing China Bank TellerCard.

OVERSEAS KABABAYAN SAVINGS

Initial Deposit Requirement

- Waived

Minimum Monthly Average Daily Balance (ADB)

Requirement

- Waived

Minimum Balance to Earn Interest

- 1,000

Interest Rate

- 0.25% per annum, subject to 20% withholding tax

Documentation

- OKS Account ATM Card
- Monthly Statement of Account (Optional)

Access Points

- Branch
- ATM
- TellerPhone
- China Bank Online
- BancNet POS

PDIC Coverage: Maximum deposit insurance for each depositor P500,000

PASSBOOK SAVINGS**Initial Deposit Requirement**

- P 5,000

Minimum Monthly Average Daily Balance (ADB) Requirement

- P 5,000

Minimum Balance to Earn Interest

- P 10,000

Interest Rate

- 0.25% per annum, subject to 20% withholding tax

Documentation

- Passbook

Access Points

- Branch
- China Bank Online

PDIC coverage: Maximum deposit insurance for each depositor P500,000

CERTIFICATE OF TIME DEPOSIT**Initial Deposit / Placement Requirement**

- P 5,000

Minimum Tenor

- 90 Days

Interest Rate

- Per annum, subject to 20% withholding tax

Certificate of Time Deposit

| Amount (Peso) | 90 days | 180 days & Up |
|-----------------------|---------|---------------|
| 5,000 – 49,999 | 0.750% | 0.750% |
| 50,000 – 199,999 | 0.750% | 0.750% |
| 200,000 – 499,999 | 0.750% | 0.750% |
| 500,000 – 999,999 | 0.875% | 0.875% |
| 1,000,000 – 4,999,999 | 1.000% | 1.000% |
| 5 Million up | 1.125% | 1.125% |

Documentation

- Certificate of Time Deposit

Access Points

- Branch
- China Bank Online

Others

- Option to automatically rollover your principal and interest at maturity date.
- Placement is subject to Documentary Stamps Tax (P 1 for every P 200 multiplied by the term, divided by 365 days)
- PDIC coverage: Maximum deposit insurance for each depositor P500,000

DIAMOND SAVINGS ACCOUNT

Key Benefits

Initial Placement Requirement

- P 50,000

Minimum Tenor

- 30 Days

Interest Rate

- Per annum, subject to 20% withholding tax

DIAMOND SAVINGS ACCOUNT

| Amount | 30 Days | 60 Days | 90 Days | 180 Days & Up |
|------------------------|---------|---------|---------|---------------|
| 50,000 to 199,999 | 0.500% | 0.625% | 0.750% | 0.750% |
| 200,000 to 499,999 | 0.500% | 0.625% | 0.750% | 0.750% |
| 500,000 to 999,999 | 0.625% | 0.750% | 0.875% | 0.875% |
| 1,000,000 to 4,999,999 | 0.750% | 0.875% | 1.000% | 1.000% |
| 5,000,000 up | 0.875% | 1.000% | 1.125% | 1.125% |

Documentation

- Passbook

Access Points

- Branch
- China Bank Online

Others

- Option to automatically rollover your principal and interest at maturity date.
- Documentary Stamps Tax (DST) will be shouldered by the Bank if placement is not withdrawn before maturity date.
- PDIC coverage: Maximum deposit insurance for each depositor P500,000

MONEY L.I.F.T

Initial Deposit / Placement Requirement

- P50,000

Additional Placement

- In multiples of P1,000 only

Term of Investment

- 5 Years and 1 Day

Interest Rate

- Per Annum

MONEYLIFT - Quarterly

| Amount | |
|-----------------------|--------|
| P 50,000 - P 299,000 | 2.000% |
| P 300,000 - P 699,000 | 2.250% |
| P 700,000 - P 999,000 | 2.500% |
| P 1,000,000 and Up | 2.750% |

Documentation

- Certificate of Time Deposit

Access Points

- Branch

Others

- Issued to INDIVIDUALS only.
- Interest earned shall be automatically credited to your account quarterly.
- New interest rates will be applicable to NEW placements.
- PDIC Coverage: Maximum Deposit Insurance for each depositor is P500,000.

FOREIGN CURRENCY ACCOUNTS

FOREIGN CURRENCY SAVINGS ACCOUNT

Initial Deposit Requirement

US Dollar SA: \$500 Euro SA: €1,000 Yuan: ¥2,500

Minimum Monthly Average Daily Balance (ADB)

Requirement

US Dollar SA: \$500 Euro SA: €1,000 Yuan: ¥2,500

Minimum Average Daily Available Balance to Earn Interest

US Dollar SA: \$1,000 Euro SA: €1,000 Yuan: ¥2,500

Interest

US Dollar SA: 0.25% p.a. Euro SA: 0.50% p.a. Yuan: 0.08% p.a.

- Interest earned shall be automatically credited to your account at the end of the quarter.
- Subject to 7.50% withholding tax.

Access Points

- Branch
- China Bank Online

Note: China Bank US Dollar Savings Account is available at all China Bank Branches. Euro SA and Yuan SA are offered by selected branches:

- Euro Servicing Branches
- Yuan Servicing Branches

Others

- Deposits to the account may be in the form of:
 - US Dollar note/s, check/s, and demand drafts
 - Euro note/s, check/s, and demand drafts
 - Yuan notes (only series 1999 and 2005) denominated in CNY 50 and CNY 100
 - Proceeds of incoming Telegraphic Transfer/s
- Withdrawals from the account may be in the form of:
 - US Dollar note/s
 - Euro note/s
 - Yuan note/s
 - Peso Equivalent (Converted)
 - Telegraphic Transfer/s
 - Demand Draft/s
- PDIC coverage: Maximum deposit insurance for each depositor: P500,000.

FOREIGN CURRENCY TIME DEPOSIT ACCOUNT

Minimum Placement

- US Dollar TD: \$1,000
- Euro TD: €1,500

Interest

- Interest earned is subject to 7.50% withholding tax

| US Dollar TD: In percent per annum | | | | | | |
|------------------------------------|---------|----------|----------|----------|----------|-----------|
| | 1 month | 2 months | 3 months | 6 months | 9 months | 12 months |
| \$ 1,000 to 49,999 | 0.7500% | 0.7500% | 0.8750% | 0.8750% | 0.8750% | 0.8750% |
| \$ 50,000 to 99,999 | 0.8125% | 0.8125% | 0.9375% | 0.9375% | 0.9375% | 0.9375% |
| \$ 100,000 to 299,999 | 0.8750% | 0.8750% | 1.0000% | 1.0000% | 1.0000% | 1.0000% |
| \$ 300,000 to 499,999 | 0.9375% | 0.9375% | 1.0625% | 1.0625% | 1.0625% | 1.0625% |
| \$ 500,000 to 999,999 | 1.0000% | 1.0000% | 1.1250% | 1.1250% | 1.1250% | 1.1250% |
| \$ 1,000,000 and up | 1.0000% | 1.1250% | 1.2500% | 1.2500% | 1.2500% | 1.2500% |

Effective January 6, 2016

| Euro TD: In percent per annum | | | |
|-------------------------------|---------|----------|----------|
| | 1 month | 2 months | 3 months |
| € 1,500 to 49,999 | 0.6250% | 0.6875% | 0.7500% |
| € 50,000 to 99,999 | 0.7500% | 0.8125% | 0.8750% |
| € 100,000 to 299,999 | 0.8750% | 0.9375% | 1.0000% |
| € 300,000 to 499,999 | 1.0000% | 1.0625% | 1.1250% |
| € 500,000 and up | 1.1250% | 1.1875% | 1.2500% |
| Effective May 23, 2012 | | | |

Access Points

- [Branch](#)
- [China Bank Online](#)

Note: China Bank US Dollar Time Deposit is available at all China Bank Branches. Euro TD is offered only at China Bank Makati Main and Binondo Business Center.

Others

- Deposits to the account may be in the form of:
 - US Dollar note/s, check/s, and demand drafts
 - Euro note/s, check/s, and demand drafts
 - Proceeds of incoming Telegraphic Transfer/s
- Withdrawals from the account may be in the form of:
 - US Dollar note/s
 - Euro note/s
 - Peso Equivalent (Converted)
 - Telegraphic Transfer/s
 - Demand Draft/s
 - Travelers check/s
- PDIC coverage: Maximum deposit insurance for each depositor: P500,000.